EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

No.30,815 — Tuesday April 11 1989 — D 8523A

KENYA
Benefitting from some basic skills
Page 17

## World News

### Greenpeace claims N-sub may explode on seabed

The environmental group, Greenpeace, claimed that the Soviet nuclear-powered submarine which sank in the Norwegian Sea at the weekend could explode and spread radioactive contamination. Page 2

### Kabul residents flee

Thousands of Kabul residents, fearing an imminent offensive by Afghan Mujahideen guerrillas, have fled the capital for the safety of provincial towns and neighbouring countries. Page 4

### Filipino base attack

Suspected communist rebels in the Philippines have attacked a small US military base housing US communications equipment, destroying microwave antennae and other equipment. Page 4

### Greek deal

The former Greek banker and press baron George Koskotas has released new details of a deal allegedly struck with the Greek Socialist Government four years ago. Page 3

### Freighters collide

Fourteen crewmen were missing after one of two Turkish freighters involved in a collision sank in the central Adriatic. Page 3

### Chinese PM visit

Li Peng, the Chinese Premier, begins a visit to Japan tomorrow that will be important for the development of his own fledgling international stature. Page 22

### Indonesian bomb

Home-made bomb rocked a building housing a British High Commission office in Kuala Lumpur, injuring four people. Page 4

### Recruit deal

Japan's opposition and ruling parties reached a deal on a share scandal involving payments to public figures. Prime Minister Noboru Takeshita is to address parliament about his links with the affair. Page 22

### Beirut bombardment

Scattered shells hit Christian areas of Beirut amid fears that French ships carrying supplies to Lebanon would refuel fierce artillery battles. An overnight bombardment killed one man and wounded 12. Page 4

### Turkish protest

Nearly 600,000 Turkish public and private sector workers started a passive campaign to protest against deadlocks in talks with the Government on new wage pacts.

### Austrian party upset

Mr Alois Mock, the Austrian Foreign Minister and head of the Conservative People's Party (OeVP), was fighting for his political life after the party's disastrous results in recent provincial elections. Page 3

### Arafat in Poland

Palestinian leader Yassir Arafat arrived in Poland for a two-day visit which is expected to bring agreement on upgrading a PLO diplomatic mission in Warsaw to an embassy.

### Bookshops attacked

Two London bookshops were hit by firebombs in separate attacks apparently connected with the row over Salman Rushdie's book *The Satanic Verses*.

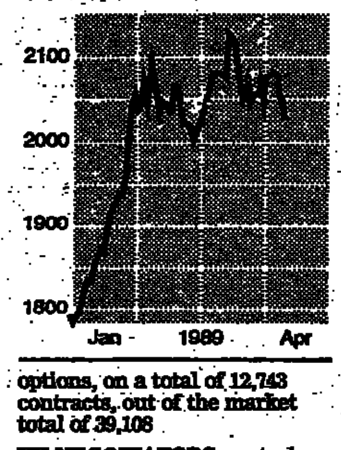
## Business Summary

### Lonrho faces contempt on House of Fraser case

LONRHO, the UK international trading conglomerate, faces contempt proceedings by the House of Lords, the UK's highest court, amid speculation it had tried to influence a hearing on the Government's report on House of Fraser takeover. Page 7

DEALINGS in the FT-SE 100 index again captured some one-third of business in traded

### FT-SE 100 Index



options, on a total of 12,743 contracts, out of the market total of 39,108

UK NEGOTIATORS are trying to persuade Malaysia to enlarge a package agreement for the supply of British arms, restoring items that were unexpectedly cut out of the deal by the Malaysians. Page 6

TDK of Japan, the world's largest maker of recording tapes, has made a $200m, or $20 per share, agreed bid for Silicon Systems, a California based semiconductor maker. Page 25

CREDITANSTALT-Bankverein, Austria's leading bank, has signed a financing deal worth $735m to build a luxury hotel in Soviet Georgia. Page 6

PLESSEY, the UK electronics company, has won an $85m contract for satellite earth stations. Page 8

ALITALIA, the Italian state airline, has blamed acts of God and Man for a 21 per cent fall in net profits last year. Page 24

JORDAN will shortly sign a letter of intent with the International Monetary Fund (IMF) to undertake economic reforms. Page 4

THREE of Britain's largest ITV companies are moving into the television barter business with US partners. Page 8

INTEL, the US microchip producer, yesterday announced a long expected expansion of its microprocessor product line with the introduction of powerful new chips. Page 26

THE DOUGLAS Aircraft Division of McDonnell Douglas, which is developing the new MD-11 aircraft, announced delays in delivery. Page 6

WESTMINSTER City Council has disrupted plans for the £150m modernisation of the Royal Opera House, London. Page 8

AUSTRALIA is to join the exclusive and secretive club of 15 Western nations known as CoCom, which restricts trade in militarily-sensitive technology. Page 6

IRELAND may face a severe shortage of petrol following decisions by Shell and Esso to suspend petrol imports. Page 2

POLAND devalued the zloty by 4.76 per cent. It was the third devaluation this year, and the official rate is now 680 zloties to the US dollar.

PARIBAS, the French investment bank, has completed a $48m debt-equity swap in Mexico. Page 29

LAMONT Holdings, the Northern Ireland textiles group, announced a 26 per cent increase in pre-tax profits to $12m. Page 34

# Shevardnadze sent to calm ethnic unrest in Georgia

**By John Lloyd in Moscow**

THE SOVIET leadership yesterday sent Mr Eduard Shevardnadze, Foreign Minister, to Tbilisi, the Georgian capital, as the death toll in six days of ethnic unrest climbed to at least 17 and a general strike in the city closed schools and some businesses.

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, said 10 women and six men were killed when troops broke up a demonstration early on Sunday morning. Some 200 people were injured.

"Among those taken to hospital with serious injuries one or two more women have since died," he added.

Mr Gerasimov specifically denied that shots were fired during the clashes on Sunday. He said that most of the victims had died after being crushed by crowds as the troops moved in.

However, a member of staff at the Gruzinform press agency in the state capital said the official figures were "out of date" and indicated that the figure of 30 dead, circulating among opposition groups since Sunday, was closer to the mark.

Other nationalist sources have given a death toll of 45 while the highest estimate came from Mr Karlo Bardanidze, a member of the fiercely nationalist National Democratic Party. He claimed in a call to the Glasnost dissident journal in Moscow that 150 people had died in the city's hospitals; that troops had opened fire on a demonstration early yesterday morning killing and wounding 40; and that demonstrators had armed themselves with Molotov cocktails.

No other observer has confirmed these claims, although some Tbilisi residents contacted by Western agencies said that soldiers had fired warning shots at demonstrations mounted by students. No independent assessment is possible because the authorities have sealed off the republic.

Journalists cannot travel to the republic, telephone lines are almost impossible to get and official information is meagre, much lower than the relatively more open standards set over the past two years.

Mr Shevardnadze, until mid-1985 the First Secretary of the Georgian Communist Party and a native Georgian, yesterday called off a trip to East Germany to fly to Tbilisi with Mr Georgy Razumovsky, the Central Committee's head of personnel.

They attended a meeting of the Georgian Party Politburo, which described the situation as "extremely tense." Mr Shevardnadze and Mr Razumovsky then met prominent Georgian intellectuals and scientists.

The national television news last night showed pictures of the capital for the first time – with soldiers patrolling in tanks, but with no sign of unrest.

It broadcast part of a speech made to scientists and writers by Mr Dzumber Patiashvili, the Communist Party boss, who blamed the deaths on nationalist provocateurs and said that the troops deployed against demonstrators early on Sunday morning had been unarmed, and had been ordered merely to clear the square of demonstrators after repeated appeals from leaders of the party, the intelligentsia and the Church.

The latest wave of demonstrations had their immediate root in calls by the ethnic inhabitants of Abkhazia, an autonomous area within Georgia, to secede from the Republic. This provoked counter-demonstrations last week, which took on a nationalist nature.

Bubbling cauldron, Page 21

# Poll boost for radicals

THE cluster of radical voices in the Soviet Union's new Congress of People's Deputies was yesterday strengthened in run-off elections which brought into the assembly Mr Roy Medvedev, the leading Soviet dissident, John Lloyd writes.

Mr Medvedev, whose critical studies of Stalinism were until recently banned in the Soviet Union, won 52.3 per cent of the vote in his race in Moscow's Voroshilov district against Ms Ksenya Razumova, head of an atomic research laboratory in Moscow.

Supporters of radical reform were given a further boost yesterday with the nomination of Dr Andrei Sakharov to the list of candidates for the Congress from the Academy of Sciences, due to vote in 10 days.

Dr Sakharov had previously been proposed as a candidate, but the Academy's electoral commission had failed to include him and other well-known reformers in its original list. The omission caused deep controversy in the Academy last month with the result that many of the candidates failed to obtain the qualifying number of votes of the full Academy for election.

Other nominees put forward at yesterday's session include Dr Nikolai Shmelyov, the reform-minded economist, and Prof. Roald Sagdeyev, the space expert, as well as the more conservative Dr Georgy Arbatov, a specialist on the US and Canada.

The candidates will be chosen at a general assembly between 19 and 21 April. Mr Medvedev's election added to the number of strikingly independent voices chosen in the main ballot of March 26.

The 64 seats re-balloted on Sunday were in constituencies where none of the candidates had won the 50 per cent of the vote required for election.

An aide of Mr Medvedev said the historian's concern in parliament would be to "examine the history and the sociology of the Soviet Union and the Communist Party, and to promote the potential of democratic socialism."

Mr Chernichenko, a supporter of Mr Boris Yeltsin, the disgraced Moscow party chief, faced 11 other candidates in the first round.

In Lithuania, a spokesman for the pro-independence Sajudis Movement said that five of its eight members standing had been returned in run-off ballots. They will join 31 of their fellows who won the majority of the 42 seats filled in the first round.

Mr Kjastutis Zaljaskas, Communist Party leader in the capital Vilnius, was also elected.

In Leningrad, where the upper echelons of the Communist Party were beaten in the first round, Mr Anatoly Sobchak, a lawyer, won one of the six run-off elections on a platform of direct elections of party leaders (including the General Secretary) and an end to perks.

# Gold Fields turns down £3.5bn final offer from Minorco

**By Kenneth Gooding, Mining Correspondent, in London**

BRITAIN'S biggest bid battle entered its closing phase yesterday when Consolidated Gold Fields rejected a higher and final offer from Minorco, the South African-controlled investment company, valuing the UK diversified mining group at £3.5bn ($5.9bn).

Immediately following the offer's announcement, Gold Fields' share price was marked up by 80p to £14.75, compared with the new offer worth £15.50 a share. However, the price then collapsed sharply to £13.35. It later recovered slightly to £13.40, down 55p from Friday's close.

Some analysts suggested that market-makers had panicked and that they had all attempted to bale out at once. This produced what one analyst described as "an avalanche of selling" which saw 3.2m Gold Fields shares traded in a short time.

It also appeared that some speculators decided to take cash in the market because not only was the new bid considered too low to win overwhelming acceptance, but there remained considerable doubt about whether Minorco would be able to persuade a New York court to remove an injunction which prevents it buying any more shares in the target company.

Mr Jeff Ware, an analyst with County NatWest Securities, said last night he had taken a straw poll among 30 of Gold Fields' major institutional shareholders which showed that fewer than half would accept the latest Minorco offer.

"My guess is, however, that that is just about enough to give Minorco (which already owns nearly 30 per cent of Gold Fields) victory. But Minorco will not get the overwhelming majority it needs to put pressure on the Gold Fields board to withdraw the New York action," he added.

Sir Michael Edwardes, Minorco's chief executive, said that his company had decided to add another £1.50 cash a share to its previous offer mainly because Gold Fields had produced new information about the expected profits from its wholly owned subsidiary ARC, formerly known as the Amey Roadstone Corporation.

He stressed the latest offer

Continued on Page 22
Lex, Page 22

# G + W move fuels bid speculation

**By James Buchan in New York**

TAKEOVER speculation swept the US entertainment industry yesterday in response to plans by Gulf+Western to sell its valuable financial services business and concentrate on film and publishing operations.

The planned sale of the New York company's Associates finance business, which could provide over $3bn in proceeds, adds a new twist to the speculation that has gripped the US media and entertainment industry since Time and Warner Communications announced last month they were merging to form a $15bn worldwide group.

Companies such as Time, McGraw-Hill, Tribune, MCA and CBS rose sharply in value on the stock market yesterday. Wall Street is betting that Mr Martin Davis, Gulf+Western's tough and successful chairman, wants to buy his way into the top flight of the media and entertainment industry alongside Bertelsmann of West Germany, Mr Rupert Murdoch's News Corp and, if its merger succeeds, Time-Warner.

The sale of The Associates would leave Gulf+Western, which last year had sales of $5.1bn, with a strong film and television business, dominated by Paramount Pictures, and a set of publishing operations grouped round Simon & Schuster.

These divisions have sales of $3.1bn and operating profits of $375.5m.

"Jettisoning The Associates and getting the cash is one way of positioning the company so it can acquire or merge its way to becoming one of these worldwide entertainment groups," said Mr David Londoner, an analyst at the New York brokerage Wertheim Schroder.

But there were dissenting voices on Wall Street and Hollywood. Some say that Mr Davis, who has sold more businesses than he has bought since taking over the conglomerate that was Gulf+Western in 1983, will balk at paying the current boom-time prices for film, television and publishing properties.

Mr Jeffrey Logsdon, a well-regarded West Coast analyst, said Mr Davis is more likely to sell or take his company private. "The only thing he's going to end up buying is himself," he said. Gulf+Western stock rose sharply yesterday.

In a statement late on Sunday, Gulf+Western seemed to keep its options open. It said it

Martin Davis of Gulf

would "expand its communications operations globally, both internally through product development and distribution and externally through acquisitions and investments."

The company will be renamed Paramount Communications.

But Gulf+Western also said it would also use the proceeds to buy in its own stock.

The Associates, which was founded in 1918, is the third largest US consumer and commercial finance company.

It has grown steadily throughout the 1980s and and now enjoys assets of over $13bn.

It contributes nearly half of Gulf+Western's profits. But the business has never been highly valued by Wall Street and this has hampered its overall valuation.

Mr Herbert Goodfriend, a financial-services expert at Prudential Bache in New York, said: "These finance businesses have never caught the market's imagination and have very modest appraisals."

He said that The Associates is worth at least twice its book value of $1.2bn and possibly much more, if overseas insurance and banking companies prove interested.

Industry analysts say that Mr Davis, frustrated by Gulf+Western's low stock-market valuation, was torn between the finance and entertainment sides of the business.

Ultimately, he decided that the opportunities lay with Paramount and publishing.

"To continue in our present configuration would place us at a competitive disadvantage

Continued on Page 22

# Rolls-Royce in £300m takeover of UK engineering group

**By Nick Garnett in London**

ROLLS-ROYCE, the UK aero-engine manufacturer, is acquiring Northern Engineering Industries after an agreed all-paper bid which values the UK power station equipment and general engineering group at just over £300m ($510m).

The deal marks the first step in what Sir Francis Tombs, chairman of Rolls-Royce, said yesterday would be a long-term diversification programme. It also ends uncertainty about the position of NEI, which has looked vulnerable to a takeover for some months.

NEI, based in north-east England, will become a separate operating group within Rolls-Royce.

It will keep its board and structure of subsidiary companies and Mr Terry Harrison will remain NEI's chairman. Both he and Mr Bob Hawley, NEI's operations director, will move on to the Rolls-Royce board.

Meanwhile Sir Ralph Robins, Rolls-Royce's managing director, is to become Rolls-Royce deputy chairman.

There were no plans for redundancies or to sell any of NEI's activities, Sir Francis said. The aim was to develop the company's core operations.

Apart from turbines, boilers, switchgear and complete power station packages, NEI's products include mining and rail equipment and cranes.

There was some speculation in the industry yesterday that some of these activities might eventually be sold and NEI become essentially a contractor for small power stations.

Both companies said the deal would strengthen their position in the supply of small power stations, likely to be more important in the UK after electricity privatisation. Rolls-Royce makes gas turbines for power stations.

The two companies said NEI would benefit from Rolls-Royce's experience in obtaining finance for large purchases, they could offer broader services in nuclear design and construction, and Rolls-Royce research would help NEI's product development.

Mr Harrison said the deal would provide a firmer and broader base that would allow NEI to achieve things it could not do on its own.

Rolls-Royce and NEI had merger talks at the end of last year after Rolls-Royce had secretly built up a 4.7 per cent stake in the company. Those talks were halted in December after failure to agree a price.

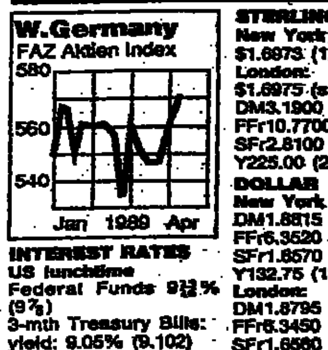
Rolls-Royce made its latest offer on Thursday last week and it was agreed by the NEI board the following day.

The change in the board's position might have been influenced by delays, announced last month, in the UK's power station building programme.

Merger of unequals, Page 20;
Lex, Page 22

## MARKETS

**W.Germany**
FAZ Aktien Index



**INTEREST RATES**
US lunchtime
Federal Funds 9 13/16% (9 7/8)
3-mth Treasury Bills: yield: 9.05% (9.102)
Long Bond: 97 5/8 (97 31/32)
yield: 9.1% (9.08)
London
3-month interbank: close 13 1/4% (13 3/16)

**STERLING**
New York lunchtime
$1.6973 (1.6960)
London:
$1.6975 (same)
DM3.1900 (3.1825)
FFr10.7700 (10.750)
SFr2.8100 (2.800)
Y225.00 (224.75)

**DOLLAR**
New York lunchtime
DM1.8815 (1.8770)
FFr6.3520 (6.3780)
SFr1.6570 (1.65025)
Y132.75 (132.675)
London:
DM1.8795 (1.8745)
FFr6.3450 (6.3325)
SFr1.6560 (1.6485)
Y132.60 (132.40)

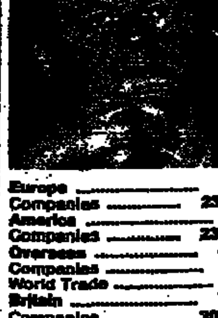
**GOLD**
New York latest
Comex June
$389.9 (388.7)

**STOCK INDICES**
New York lunchtime
Dow Jones Ind. Av.
2,302.79 (-2.01)
S&P Comp
297.07 (-0.9)
London:
FT-SE 100
2,025.7 (-20.7)
World:
143.05 (Fri)
Tokyo
Nikkei Ave
32,999.02 (-186.08)
Frankfurt
Commerzbank
1,699.2 (+20.7)

**OIL**
Brent 15-day (Argus)
$18.90 (+0.405) (May)
West Tex Crude
$20.505 (+0.51) (May)

## CONTENTS

### Europe's energy showpiece provokes a conflict



Oskar Lafontaine, Saarland premier, is spearheading the W German states campaign against a French nuclear reactor in Lorraine. The dispute shows the cultural gap between the two countries over ecological issues.
Page 22

EUROPEAN NEWS

# Irish face petrol crisis as imports are cut

By Steven Butler

IRELAND FACES the possibility of a severe shortage of petrol following decisions by Shell and Esso to suspend petrol imports into the country in response to a government freeze on pump prices.

Other suppliers, including British Petroleum and Texaco, warned yesterday that they would follow suit shortly unless the Government eased its stance.

Mr Albert Reynolds, the Finance Minister, yesterday called the companies' actions "totally unjustified," and accused them of making "threatening statements." The Government is scheduled to meet the companies on Thursday to discuss the situation.

It froze petrol prices on March 31 when it became apparent that prices were about to be put up by the oil companies following increases in wholesale prices.

Shell said yesterday that the Government was warned last week that supplies would be put at risk because the freeze in prices meant that the oil companies would be importing petrol at a loss, given the steep rise in Rotterdam spot market prices, which are used as a basis for pricing throughout the industry. "For a commercial enterprise, this is plainly unacceptable," a Shell spokesman said.

BP said yesterday that it would delay any decision until the meeting on Thursday with Mr Ray Burke, the Industry and Commerce Minister, although it, too, would probably be forced to suspend imports. Esso said that its decision to suspend imports had been taken last Friday before it became aware that a meeting with the Dublin Government was to take place.

Imports account for about two-thirds of the Irish market, with the balance provided from the government-owned Whitegate Refinery in County Cork. The oil companies are continuing to accept petrol deliveries from the refinery, which is provided at an artificially low price.

The companies and the Government had agreed to a temporary formula for determining petrol prices in October 1987, pending an inquiry by the Fair Trade Commission which is now getting under way. However the Government suspended the formula on March 31.

Shell has indicated that it will restore imports if the Government returns to the agreed formula. It said that wholesale prices for petrol had risen from $230 a tonne to $270 following the freeze in prices.

Ireland is thought to have two or three weeks of supplies after which severe shortages would develop. The oil companies said, however, that they expected a wave of panic buying would develop rapidly.

Reynolds: angry reaction to oil company "threats"

# Greenpeace warns of contamination by Soviet submarine

THE ENVIRONMENTAL group, Greenpeace, claimed yesterday that the Soviet nuclear-powered submarine which sank in the Norwegian Sea at the weekend could explode and spread radioactive contamination, agencies report.

It dismissed Mr Mikhail Gorbachev's assurances that the reactors were safe, and said the submarine could be "a ticking environmental bomb. If the coolant in the two nuclear reactors . . . come in contact with sea water, there will be an explosion."

Greenpeace asked the Soviet embassy in Copenhagen for precise information about the reactor system and about the two nuclear warheads Moscow says are on the vessel.

The Soviet news agency Tass has said that 42 seamen were killed and 27 survived when the boat sank 120 miles south-west of Bear Island.

Yesterday, Soviet naval authorities located the submarine at the bottom of the Norwegian Sea and determined that a short circuit may have caused the fire and explosions that doomed it, according to the Soviet newspaper Izvestia. It said rescuers had found the bodies of only 19 sailors.

Yesterday, Norwegian Defence officials said a Soviet salvage vessel had been sent to the area. A spokesman said Norway had no clear indication whether the salvage ship, accompanied by a tug and two other vessels, would try to raise the submarine, which sank in 4,500 ft of water.

However, civilian experts had salvaged wrecks and parts of wreckage from much deeper water and the Soviet Union would certainly be interested in hoisting the boat from the seabed if possible.

A Soviet embassy press attache said Soviet vessels were in the area to test for radiation, matching studies by Norwegian scientists.

Izvestia quoted General Dmitri Yazov, the Defence Minister, as saying that after fighting the fire for two or three hours the crew heard several explosions in the submarine.

They might may have occurred in seven pieces of "special equipment", Izvestia said, without further identifying them. Soviet media previously reported that a fire started in the submarine's seventh section and spread to the sixth.

# Dutch press EC on tax harmonisation

By David Buchan in Brussels and Tim Dickson in Strasbourg

A COMBINATION of speedy new proposals by the European Commission and positive action by certain member states like West Germany was needed to produce the necessary convergence of EC indirect tax rates by 1992, Mr Onno Ruding, the Dutch Finance Minister, said yesterday.

Mr Ruding's remarks underscored the political complexity of EC tax harmonisation, with Britain and Luxembourg digging in their heels in resistance to Community initiatives, but the Netherlands digging in its toes in impatience for progress on new proposals from Brussels.

The Commission is paying too much attention to its plan for a minimum withholding tax on savings, tied to next year's lifting of EC capital controls, and too little to bringing widely differing rates of value added (VAT) and excise taxes together, Mr Ruding said.

The Commission denied it had any "hierarchy" of priorities, but said EC governments had set the two tax plans on "different timetables" by setting June 30 1989 as the deadline for a Council of Ministers decision on capital savings taxes, and the end of 1992 for VAT and excise rate approximation to smooth the way for frontier check removal.

Mrs Christiane Scrivener, the EC tax commissioner, yesterday made clear her willingness to modify the indirect tax proposals she inherited, but the Commission is waiting for reports on two detailed aspects - the controversial clearing house system to allocate VAT receipts within a frontier-free Europe, and the division of goods and services into two bands of tax rates - before formalising any new plan.

With or without new Commission action, Mr Ruding said "it is now up to my German friends" to raise their standard rate of VAT up from 14 per cent and so to bring it closer to its higher tax neighbours. The Netherlands, Mr Ruding said, had already done its bit by lowering its standard VAT rate from 20 to 18.5 per cent.

Mr Ruding said the VAT rate bands should be narrower than the 4-9 per cent for basic necessities and 14-20 per cent for standard items suggested by Lord Cockfield. The Commission's thinking is turning towards simply setting a minimum rate for standard goods and a maximum rate for the lower VAT rate band. The attraction of the latter is it would allow the UK, Ireland and Portugal to maintain existing zero-rating on some items.

The Dutch Finance Minister said he was still pressing for a system of automatic reporting by interest payments by banks to national tax authorities as an alternative to Mrs Scrivener's plan for a minimum 15 per cent withholding tax on bank and most bond income.

# Polish farmers angry at delay in price rises

By Christopher Bobinski in Warsaw

POLAND'S Prime Minister, Mr Mieczyslaw Rakowski, yesterday promised that state prices for farm produce would be raised "soon," amid mounting protests by farmers which have now spread to 32 of the country's 49 provinces.

The protests are intended to force up prices to compensate for increases in the cost of durable consumer goods, as well as farming equipment, which have increased by some 20 per cent since the beginning of the year.

Farmers have been withholding tax and insurance payments and in some places, especially in the eastern provinces, refusing to deliver farm produce to officially controlled purchasing organisations.

Mr Rakowski, however, disappointed delegates to a congress of the official farmers' union in Warsaw who had been expecting to hear a firm date for the prices rise. Later, Mr Kazmierz Olesiak, the Agriculture Minister, told angry delegates privately that prices would go up early in May, while food procurement price controls would be removed later in the month.

The Government wants to eliminate subsidies to producers and reduce the state monopoly over the farming system, while putting up the cost of food to the consumer probably after the parliamentary elections in June.

The plans have the backing of Farmers' Solidarity, as well as the official farmers' union, but Mr Lech Walesa's Solidarity trade union is insisting that the action which could see meat prices increase 230 per cent be introduced gradually. Under government plans, consumers would be compensated for the price increase with wage rises.

At the weekend, Solidarity itself started its election campaign with the establishment of a national election committee to co-ordinate nominations of the 260 candidates it is planning to put forward.

Yesterday, Mr Leszek Moczmoczulski, head of the KPN independence party, said his group would be putting up around 50 candidates.

# Brittan warns Bonn it must accept curbs on state aid to car industry

By William Dawkins in Brussels

THE BONN Government has been told to accept new European Community curbs on state aid to the car industry or face possible legal action.

If the Bonn Government fails to respond within the "next week or so," Brussels will consider launching a pre-emptive inquiry into the more than 100 federal and state aid schemes for which the German car industry is eligible, said a Commission official yesterday.

The warning, by Sir Leon Brittan, the Commissioner for competition policy, comes in response to a letter from Mr Helmut Haussmann, the West German Economics Minister, insisting that Bonn cannot accept the extra powers the Commission awarded itself recently to vet state subsidies for car producers.

The new rules, which took effect in January, oblige governments to seek advance Commission clearance for aid to car or engine production projects worth more than Ecu12m (£7.8m). Formerly, they could subsidise a set percentage of the cost of individual projects freely within pre-agreed regional aid schemes.

Ironically, Bonn is noted by its EC partners for an otherwise tough line against state aid of all kinds. Yet Mr Haussmann's letter makes it clear that the new car subsidy rules could impinge on sensitive regional aid policy, one of the greatest powers left to the West German *Länder* or state governments, already deeply sensitive to Brussels' erosion of their sovereignty.

West Germany also fears Brussels might use the car aid rules to covertly enforce an industrial policy on the sector, an allegation which senior Commission officials strenuously deny.

Sir Leon wrote to EC governments, asking them to signal their co-operation early in the year. Italy and Spain objected, but for precisely the opposite reason to Bonn. They want the Commission to use the new rules as a tool of industrial policy, to give them more flexibility to support the industry against foreign competition. However, they have grudgingly agreed to fall in line.

# Survey shows Italian industry is benefiting from foreign technology

By John Wyles in Rome

ITALY'S manufacturing industry has not been penetrated by foreign investment to the same extent as other leading West European economies. Nevertheless, it is benefiting from technology transfers carried out by multinational companies in the country.

These are among the main findings of a new study of inward and outward Italian investment. The study was sponsored by a group of multinationals in Italy and carried out by Business International, a business information consultancy, and Studio R&P of Italy.

The conclusions amount to a positive view of the benefits of multinational investment in raising managerial standards and pushing forward the frontiers of technological innovation. They suggest foreign multinational investment narrows the gap in the use and development of technology between industrialised countries, partly by generating and encouraging a local capacity for innovation.

According to the researchers, foreign companies play a leading role in Italian science-based industries, controlling companies employing 35 per cent of the sector's workforce and participating in firms with 45 per cent of the total payroll. Foreign participation or control accounts for 59 per cent of employment in information technologies, 51 per cent in pharmaceuticals, 36 per cent in advanced chemicals and 29 per cent in electronics and telecommunications.

The study claims that in these and other sectors foreign investment "has played a fundamental role in the development and modernisation of Italian industry, when it has not been responsible for its birth, transferring into Italy products and technology which was otherwise not available in the country."

Having surveyed 200 multinationals in Italy, the researchers found an unexpectedly high innovative performance in these local subsidiaries. Between 1980 and 1987, 96 per cent had introduced new products and processes and half were responsible for at least one product new to world markets.

EUROPEAN NEWS

Alois Mock: fighting for his political life

## Poll debacle puts Mock's job at risk

By Judy Dempsey in Vienna

MR ALOIS MOCK, the Austrian Foreign Minister and head of the Conservative People's Party (OeVP), is fighting for his political life after the party's disastrous results in the recent provincial elections.

Mr Robert Graf, the Economy Minister and his close ally, has announced his resignation.

The party, which is the junior partner in the Socialist-led coalition, lost heavily last month in the provincial elections of Tirol, Salzburg and Kärnten, to the far right-wing Freedom Party, led by the charismatic Mr Jörg Haider.

This immediately led the OeVP to set up a commission headed by Mr Josef Ratzenböck, provincial governor of Upper Austria, who has been issuing the loudest calls for Mr Mock's resignation.

Whether Mr Mock resigns or not, however, the broad consensus is that the party is facing one of its worst leadership crisis for many years.

Besides being unable to bring the party back into power – the last time the OeVP held power alone was in 1970 – Mr Mock has been under the shadow of Mr Franz Vranitzky, the Socialist Chancellor since 1987 when the "Grand Coalition" was set up.

Even when the Socialist party (SPOe) was recently plagued with corruption scandals and internal dissension, the OeVP failed to capitalise on Mr Vranitzky's position which sometimes appears vulnerable.

In addition, Mr Mock himself has often been reluctant to accept dissenting views within his own party.

When Mr Johannes Ditz, the respected Secretary of State for Finance, criticised him during the controversial tax reform debate last year, Mr Mock promptly sacked him.

This led to even greater disillusionment among Mr Ditz's liberal-minded colleagues who are grouped together in the Wirtschaftsbund, the economics think-tank of the OeVP.

They argue that the party has lost all sense of direction, and in particular it has been unable to hold on to, let alone attract, the younger generation of intellectuals and technocrats.

The immediate question preoccupying the party is who should succeed Mr Mock. It is widely expected that Mr Josef Riegler, the Agriculture Minister, will become leader later this week, and that Mr Wolfgang Schüssel, head of the Wirtschaftsbund, may join the cabinet as Economy Minister.

However, OeVP supporters are not entirely pleased with the choice.

They believe that Mr Riegler, often described as an "agrarian bureaucrat", will not be forceful enough to modernise a party dominated by old clubs, nor strong enough to impose tighter central control over an organisation in which real powers rests in the provinces.

Whatever the outcome, the OeVP's "bright and white hope", as Mr Mock was once called, is now fading and greying.

## EC-Bulgaria links

The European Commission said yesterday it was ready to ease restrictions on trade with Bulgaria in view of its economic reform programme, AP reports from Brussels. A first round of talks has been held on a trade and economic co-operation agreement.

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# The new mood picks up the fortunes of West German Greens

**David Goodhart** looks at the possibilities of a Red-Green coalition in Bonn transforming national politics

The West German Greens – that argumentative family of ecologists, libertarians and left-wing socialists – are suddenly enjoying a second wind. The re-emergence of the far right in recent elections has attracted most international attention as West German politics shifts into a more volatile phase, but it is the Social Democrats (SPD) and Greens who are the immediate beneficiaries of the new mood.

The Greens, who first emerged in the late 1970s and triumphantly entered the Bundestag in 1983, have just become junior partners (with the SPD) in the Governments of West Berlin and Frankfurt and the possibility of a Red-Green national coalition in Bonn after the next election is now possible – although still improbable.

The new significance of the Greens is quite unexpected. Despite the loyalty of their (ageing) voters – who continue to hand them about 8 per cent of the national vote – the Party, six months ago, was resigned to the role of angry licensed jester in Bonn's otherwise drab political theatre.

The mainstream parties had accomodated their ecological message and the mid-1980's high-tide of Red-Green coalition thinking seemed to have passed following the failure of the SPD-Green Government in Hesse in 1986.

Meanwhile the bitter conflict between the pragmatic "realo" and uncompromising "fundi" wings continued to divert political energy. Last year a leading official of the European Green movement complained that the German Greens had, thanks to their in-fighting, ceased to have any influence in the international ecology debate.

The current political rehabilitation of the Greens is both a cause and consequence of a sharp change of mood inside the Party. The new interest in power does not, yet, amount to a victory for the realos but it has created a clear anti-fundi majority even on the once fundi-dominated executive. Temporarily at least the Greens are struggling to become a political party rather then merely a protest movement.

Much of the credit for this must go to the centrist "breakthrough" group which has tapped growing disillusionment with the squabbling and helped to unseat the fundi executive after a minor financial scandal at the end of last year.

The fact that the fundis loss of initiative was quickly followed by the West Berlin election last January in which the Alternative List (Berlin Greens) polled a better than expected 11.8 per cent and were soon negotiating for a place in Government gave extra impetus to the new interest in power.

The Green Party Congress in Duisberg, West Germany, catches the new optimism

Underlying this change is the simple fact that the middle-class radicals in their early thirties who formed the Greens 10 years ago are now in their forties. Many have mellowed politically and would like real influence before the Green vote starts to dwindle at the end of the century.

The Greens already have 8,000 elected representatives in federal, state and local parliaments. Out of 40,000 members that is a higher proportion of representatives to members than any other party in Germany – so they cannot be said to lack practical experience at democratic politics.

Also, for a substantial minority of Greens – certainly most realos – there is now little difference between their political priorities and those of the SPD. Many of these people left the SPD in the late 1970's – or did not join – because of disillusionment with Helmut Schmidt's conservative defence and economic policies.

Although the SPD would now be a far more amenable home they are tied by friendship and inertia – and, in the case of leaders, by status – to the Greens. Starting again at the bottom of the heap in the SPD is far less appealing than forming Red-Green coalitions.

The influence of this liberal reformist group should not however be exaggerated. The Greens were formed out of three other political strands the single-issue ecologists, radical feminists and the far Left. The continuing influence of these groups makes the Greens dangerous coalition partners

A reminder that even the new Greens lie only partly within the democratic consensus came at their recent party congress where all wings of the Party voted for a motion describing members of the Red Army Fraction terrorist group as "political prisoners."

At their next national meeting in April they are likely to back a policy of denying a platform to the new Republican Party (xenophobic but certainly not fascist) which will continue to associate the Greens with extra-parliamentary street fighting.

And ecology-conscious citizens who might vote Green but for the fear that apocalyptic eco-rhetoric is only the means to a radical-socialist end will not have had their anxieties soothed by the current arguments within the Red-Green coalition in Berlin over squatting.

Nonetheless the current national and international agenda continues to look favourable for the Greens, with Mr Gorbachev fanning hostility to the concentration of nuclear and even conventional weapons in Germany, new international concern about the environment and an economy that is strong enough for people to take risks with their vote.

Given a choice the SPD would almost certainly prefer alliance with the establishment Free Democrats (FDP) before the Greens after the next election. But if a Red-Green Government was formed in Bonn what would the conflict points be?

Assuming no major change in East-West relations the Greens' formal opposition to Nato and the EC would not be an issue.

But the Greens would most likely end up as the conscience of the SPD making sure that it kept to its pledges, for example to phase out nuclear power in 10 years. Oddly, such a role is not especially welcomed even by reformist Greens.

Mr Franz Staenner, spokesman for the realo-dominated Bundestag fraction, says that incorporation into the SPD might threaten the Greens profound, albeit indirect, influence on politics. He claims that without an independent Green Party there would now be 10 more nuclear power stations, no Environment Minister, and that a woman would not now be President of the Bundestag.

Mr Udo Knapp, a leading realo strategist, fears that a role in national Government in 1990 would come too soon for the Greens who have not yet developed a proper "post-industrial" politics.

Knapp believes that for the Greens to take over the kingmaker role in German politics from the FDP it must attract a higher number of the "social liberals", the young professionals who he believes are the most influential group in German society but are currently split between the liberal wing of the CDU, the Oskar Lafontaine faction of the SPD and the realos. If they manage that then the "long march through the institutions," to real political power, might be over.

## Koskotas makes new claims

By Andriana Ierodiaconou in Athens

THE FORMER Greek banker and press baron Mr George Koskotas has released new details of a deal allegedly struck with the Greek Socialist Government four years ago.

It is claimed that the deal involved giving the Socialists press backing and money in exchange for a free hand for Mr Koskotas in his business activities.

In a 90-minute taped "confession" broadcast by several non-state Greek radio channels at the weekend, Mr Koskotas recounted contacts, agreements and dealings with senior Socialist officials, including Mr Andreas Papandreou, the Prime Minister, from as early as 1985.

The former banker, who fled the country after being charged with fraud last October, is in custody in the United States pending a decision on his extradition to Greece.

His first outlined the story in an interview with Time magazine last month. The Greek Government has denounced his claims as part of a Central Intelligence Agency plot designed to overthrow the Socialists.

Mr Koskotas' allegations are backed by a substantial body of circumstantial evidence, but direct proof is mostly still lacking.

The gist of his story is that, starting in 1985, he began to set up a publishing empire designed to serve as a propaganda machine for the Socialists, apparently in exchange for a free hand in his business dealings.

After being arrested in the US in 1987 for an old case of tax fraud Mr Koskotas claims that he was blackmailed by Greece's ruling Socialists into channeling millions of dollars to the party.

These were generated by skimming off the interest on deposits made by public sector corporations with his small private bank.

● The "May First" terrorist group claimed responsibility yesterday for a bomb explosion at the Athens home of the President of the Appeals Court.

The group said the attack, which caused no injuries, was intended as a warning against the extradition to the US of Mohammed Rashid, a Palestinian held in Greece who is wanted by Washington for alleged participation in the 1982 bombing of a US airliner. A decision on the extradition is pending.

## Ships collide off Yugoslav island

TWO TURKISH-flagged merchant ships collided in the Adriatic off Yugoslavia yesterday and 14 sailors were reported missing, Reuters reports from Belgrade.

The merchant vessel Deval sank very quickly after the collision with the Selin off Palagruza, a remote Yugoslav island 20 miles north-east of Italy's Gargano Peninsula, according to port authorities in Split further down the coast. They said the 1,713-tonne Selin was not seriously damaged and was taking part in the search.

Rescue efforts have been hampered by fog. Though the collision was in Yugoslav waters, Italian authorities are co-ordinating the rescue. Both ships were were carrying cargoes of metal tubing.

OVERSEAS NEWS

# French dispute grows with Syria over Beirut

By George Graham in Paris

FRANCE appeared yesterday to be heading for a confrontation with Syria over increasingly open French support for Lebanon's embattled Christian minority.

Mr Jean-Francois Deniau, the opposition politician who went to Beirut last week as a special envoy of Mr Roland Dumas, the French Foreign Minister, has drawn attacks from Mr Walid Jumblatt, the Lebanese Druze leader, and Mr Selim al-Hoss, the Moslem Prime Minister.

But yesterday he added fuel to the fire with a series of declarations directly attacking Syria.

Mr Deniau said that General Michel Aoun, the Christian military leader who has been engaged in a pitched battle with Syrian forces in Beirut, spoke for the whole of the Lebanon, while Mr al-Hoss was under the direct control of Syria, with no freedom of manoeuvre.

He also directly accused a Syrian colonel of ordering an artillery bombardment of the French embassy while he was in Beirut.

Mr Deniau spoke as two French vessels – a hospital ship and an oil tanker – headed for Lebanon on what Paris describes as a humanitarian mission following three weeks of heavy shelling between Christian and Syrian-backed Moslem forces.

Yesterday, the Moslem-led section of Lebanon's divided army warned the two ships against docking at Christian ports, saying it would hold France responsible for the consequences, and Syrian and Druze gunners fired sporadic rocket barrages at beaches in the Christian quarter in what police described as a rehearsal for shelling the French ships.

The Christian forces of Gen Aoun hit back with howitzers, blasting residential districts of west Beirut in a retaliation directed at Syrian rocket launchers.

Six people were wounded in west Beirut and the exchanges defied for a fifth day a ceasefire called by the Arab League.

Mr Paul Blanc, the French ambassador in Beirut, sought to dampen Moslem fears that sending the ships represented an intervention on the Christians' behalf, saying they carried humanitarian aid for all Lebanese.

Criticising US unwillingness to take a stand against Syria's role in Lebanon, Mr Deniau said the recent flare-up in fighting was due to Gen Aoun's decision three weeks ago to close the port of Jiyeh, controlled by Mr Jumblatt, and other ports he said were used for drugs traffic.

Mr Deniau said: "How can a country which fights drugs everywhere in the world pretend to ignore that the Bekaa valley shelters the poppy fields which have made the fortunes of Syria and financed the militia as well as the terrorist groups?"

Mr Bernard Kouchner, France's Minister for Humanitarian Action, is to visit Beirut today and will see Mr al-Hoss. But it is expected to be hard to convince Moslem and Druze forces that France has not jumped firmly into the camp of the Maronite Christians.

# Sri Lanka to tighten terrorism provisions

By Mervyn de Silva in Colombo

THE Sri Lankan Government is to make sweeping changes to its draconian Prevention of Terrorism Act.

One proposed change will enable the Defence Minister to detain any person who is a "danger to national security" for 18 months in "any place determined" by him. He can also extend the detention period, after the first 18 months, by three months at a time.

The death penalty will be prescribed for offences against a much wider category of people – the phrase "specified persons" (such as the President, MPs, judges and security personnel) is to be replaced with "any persons".

While only a superintendent of police or persons of a higher rank are empowered to act under the provisions of the existing law, the proposed amendments will vest these powers on any commissioned or non-commissioned officer of the armed forces.

The amended act will also permit tougher penalties against the press and all forms of publication including posters, leaflets, and notices calculated to promote anti-Government sentiment.

The term "subversive act" will be redefined to encompass the type of economic sabotage and disruption that the JVP, the extremist Sinhalese group, has so successfully launched in the past six months.

The draft laws circulated to opposition parties follow the Government's failure to sponsor an all-party peace appeal to the JVP and Tamil rebels. The Government amnesty offer has also been largely ignored. The JVP killed a dozen policemen and injured several others in two land-mine explosions.

# Japan feels the heat of hostility in the US

## Trade friction is soon likely to provoke some nasty exchanges, writes Ian Rodger

JAPANESE officials and businessmen have been startled by the anger aroused in America recently over their joint project with the US to develop the FSX fighter aircraft. They worry that anti-Japanese sentiment will find its way into bilateral negotiations on trade issues.

"We are very concerned about recent developments in the US," a senior official at the Keidanren, the powerful federation of business organisations, said last week. "The trade situation is no longer an economic problem, it is a political problem," he added.

Their concern is heightened by other factors. First, they suspect that Japanese politicians and public are likely to be less responsive to US complaints about unfair trading practices than in the past. Indeed, many who have suffered from various market opening measures in the past year, particularly those connected with farming, could turn openly hostile to the US.

Second, they fear that the fumblings of a new administration in Washington and a scandal-rocked regime in Tokyo will allow hotheads on both sides of the Pacific free rein. "We have weak, preoccupied leaders on both sides, so when the storm hits, it will be severe," an official in the Ministry of International Trade and Industry (Miti) predicted last week.

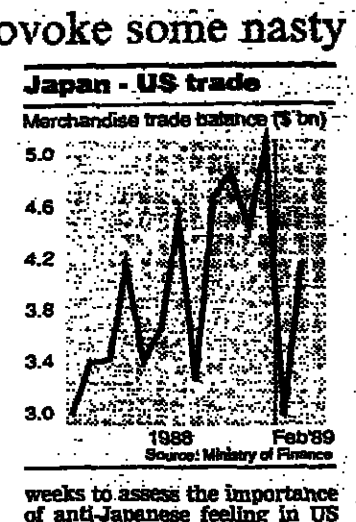
Third, they know there is no quick solution to the biggest irritant to Washington – Japan's huge bilateral trade surplus.

The rise of anti-Japanese sentiment in the US in recent months has been widely noticed in Japan and elsewhere. According to recent opinion polls, many Americans think of Japan as a bigger adversary than the Soviet Union. But Japanese government and business leaders were nevertheless startled when the US administration of President Bush last month bowed to pressure to review a joint development and production agreement for Japan's new fighter aircraft, the FSX.

The decision, coming only four months after the deal was signed, was taken in response to claims by some US opinion leaders that the agreement would give Japanese aircraft manufacturers the technology they needed to become competitive with US makers and that US companies would not get a fair share of the project.

If this row had burst out a year or two ago, Japanese officials probably would have hidden their displeasure and patiently renegotiated the agreement until it satisfied the US side. However, this time they have dug in their heels, threatening that if the deal is not respected, the US-Japan security agreement would be damaged. And they have not hesitated to remind US officials that it was the US that demanded a joint development project; the Japanese were eager to design and build the FSX on their own.

But the row was enough of a shock for several senior Japanese government officials to fly to Washington in the last few weeks to assess the importance of anti-Japanese feeling in US government circles. Their findings have not been encouraging. "When we talk to friends in the US these days, we notice that there is something essentially different in their conversations with us."



A Japanese foreign ministry official with long experience in the US said on Friday. "Even our friends use the word 'adversary'. It seems to me that many Americans regard Japan as a very strong competitor and want it to have no more penetration of the US market."

As a result, officials expect the US will include Japan in a list of countries to be sanctioned under the new "super 301" provisions of last year's trade legislation for unfair trade practices. They also expect the US to maintain its punitive 100 per cent import duties against a range of Japanese electronic products over violations of the 1986 bilateral semiconductor trade agreement, despite continuing Japanese protests.

A "super 301" offensive could be very divisive. The first point of tension over it could come with the publication, due at the end of this month, of a list of countries which the US Commerce Department would recommend to punish for unfair trade practices. Japan's appearance on the list will not in itself upset officials in Tokyo. However, it is feared that only Japan and a few developing countries will appear, raising the suggestion of racism.

Then, at the end of May, the US Trade Representative will have to decide which of the listed countries to pursue. Again, no one will be surprised if Japan is picked. But Japanese officials believe that the US authorities will have a hard time finding evidence of any significant illegal trade practices.

The US authorities may then be tempted to embrace the increasingly popular view in Washington that Japan's barriers to imports are cultural and that the only way to overcome them is through managed trade.

Japanese officials acknowledge that many cultural and structural factors, such as complicated distribution systems and long-standing relations between buyers and sellers, make it difficult for some imported goods to penetrate Japanese markets. They claim that these structural rigidities are gradually breaking down, but it will take time, just as it is taking time for the US to bring down its federal budget deficit.

They also believe the imposition of managed trade would be a disaster all round. "If the US took a protectionist road, I suspect a lot of capital would come out," the Foreign Ministry official said.

It all points to some nasty exchanges in the next few months. The next flash point could come as early as Thursday when the Japanese Ministry of Finance publishes merchandise trade figures for March. These are expected to show a widening of the surplus and, as they are the final monthly figures for the 1988-89 fiscal year, they will draw attention to the surprising growth of the surplus over the previous fiscal year.

Japanese officials believe that their country's huge trade surplus with the US will eventually come down, partly because of increased US exports to Japan and partly because of moves by Japanese companies to set up production facilities overseas, notably in the US. They also think there are exceptional reasons for it remaining high, such as the high US federal government deficit and a surge of capital goods exports to bolster US factories.

However, they also know that the US side is no longer interested in explanations. "We have some analytical background on why we have come to this point, but people in Washington are not interested in analysis, only in results," the Foreign Ministry official said.

# New South African party names parliament leader

SOUTH AFRICA'S newest political group, the mainly-white, liberal Democratic Party, yesterday elected Mr Zach de Beer, the former Progressive Federal Party head, as its leader in parliament, Reuter reports from Cape Town.

The DP, which wants all adult South Africans to have the vote regardless of colour, was formed last Saturday in a merger of the 30-year-old PFP and two other white anti-apartheid groups – the Independent Party and the National Democratic Movement.

Mr De Beer was elected by MPs at the first caucus meeting of the DP.

The new party still has to choose a national leader and many members are pressing for a swift decision. It hopes to oust the far-right Conservatives as the official parliamentary opposition in general elections due to be held by September.

# Kabul residents flee amid fears of rebel attack

THOUSANDS of Kabul residents, fearing an imminent offensive by Afghan mujahideen guerrillas, have fled the capital for provincial towns and neighbouring countries, according to diplomats, Reuter reports from Kabul.

At least 9,000 people have sold their belongings and left the city in the past three days, the diplomats said yesterday.

At the same time, a correspondent for Pravda, the Soviet newspaper, reported that the guerrillas' second major offensive on Jalalabad, Afghanistan's second biggest city, which began on Sunday, had resulted in constant rocket fire on the city, halting almost all economic activity and forcing residents to remain indoors.

The bombardment had prompted authorities to impose a 24-hour curfew and reduced supplies to a trickle as only helicopters could land at the airport.

The fighting around Jalalabad has sent up to 50,000 refugees pouring into Pakistan.

Diplomats in Kabul said those leaving had cited possible looting by the mujahideen and rocketing and shelling in the event of a major attack as the reasons for their departure.

Although the majority had left for the provinces, some had headed for neighbouring countries in the hope of obtaining visas to go to the West, diplomats said. India is a popular destination for well-off Kabul residents but all Afghans need visas to fly to India.

Those without hard cash cross into Iran and Pakistan, which have already provided refuge to more than 5m refugees from Afghanistan.

The diplomats said that among those wishing to go to the West were doctors, engineers and businessmen. The exodus has led to a sharp rise in the value of Western currencies against the afghani.

The dollar now fetches 250 afghanis compared with 220 last month.

# Rebels destroy equipment at small US base in Philippines

By Richard Gourlay in Manila

SUSPECTED communist rebels in the Philippines have attacked a small US military base, destroying microwave antennae and other communications equipment, the US and Philippine military said.

The attack on Sunday was the first on US facilities or personnel since 1987, when the rebels killed an off-duty airman and a retired soldier outside Clark Air base, one of the US's largest overseas military bases.

General Renato da Villa, the Philippine Armed Forces Chief, said the suspected communist guerrillas were responsible.

Earlier this year rebel leaders promised to step up operations against American servicemen and facilities in retaliation for what they said was US involvement in counter-insurgency operations. Gen da Villa acknowledged the reports but said it was too soon to say if this latest attack signalled the intensification of the rebels' 21 year campaign.

US officials deny the huge bases at Clark and Subic Bay play any part in Manila's counter-insurgency operations. Most of what Washington pays as compensation for the bases comes in the form of economic assistance.

But there is a substantial military aid component which relieves pressure on an already stretched Philippine budget and helps buy American helicopters, radios and arms for use against the guerrillas.

# Zambia: marked for life by AIDS

## Nicholas Woodsworth reviews efforts to stop the funeral processions

FATHER Michael Kelly, S.J., sits with a cup of tea in one hand and through the thick lenses of his glasses gloomily contemplates the rubber condom he is holding in the other.

"First we tell them they can avoid AIDS by not having sex before or outside marriage", he reasons in his Irish brogue. "Then we turn around and start handing out condoms, saying, 'If you can't be good, be careful – use these.' Surely something is wrong here?"

Kaunda: son's death highlighted AIDS dangers

"First we tell them they can avoid Aids by not having sex before or outside marriage", says Father Kelly. "Then we turn around and start handing out condoms, saying, 'If you can't be good, be careful – use these.' Surely something is wrong?"

Father Kelly, one of a number of Jesuits living and working in the Zambian capital of Lusaka, has just returned from a World Health Organisation-sponsored workshop on AIDS prevention and control. Like many of his confreres in this country where the church has a strong and widespread influence, he is wrestling with a moral dilemma: should churches opposed to birth control condone the use of condoms that might save untold numbers of lives?

This is only one of a number of dilemmas now confronting Zambia, a nation that along with Congo, Burundi, Uganda, and Rwanda, heads the list of African countries most seriously affected by the AIDS epidemic.

The first AIDS case in Zambia was reported in 1986; today 1,300 cases have been registered. It is a figure that WHO officials in Lusaka estimate should be multiplied by up to 10 times to give a true picture of the size of the problem. Reported AIDS-related cases stand at 7,000, but, similarly, unreported cases are estimated to run as high as 70,000. In a country of only 7m, 350,000 people, or 10 per cent of Zambia's urban population, are believed to be seropositive carriers of the AIDS virus.

Like many African countries, Zambia was reluctant several years ago to acknowledge the existence of an AIDS problem. Government over-sensitivity to Zambia's international image has today, however, given way to a franker attitude and a welcoming of technical and financial assistance from foreign agencies and donors. While there are many factors that continue to militate against an effective AIDS programme in Zambia, this change is in itself a step forward.

The turning point came in late 1987, when the crisis was high-lighted by the AIDS death of a son of President Kenneth Kaunda. Until that time anti-AIDS interventions had been limited, by the end of that year, a WHO team was invited to Zambia to draw up a national plan to combat AIDS. The resulting Medium Term Plan of Action, a comprehensive five year programme, was presented to a donors' meeting in March 1988. Over $8m was pledged, principally by WHO and the overseas development agencies of the Sandinavian countries, Great Britain, and the U.S.

The programme, carried out by the Ministry of Health in co-ordination with WHO, is a wide-reaching one, and covers disease control management, blood transfusion screening, montoring through sample testing, and hospitalisation and home-based care. Of the $5m. budgeted last September for the programme's first year of operation, the largest portion, however, is earmarked for AIDS education and information.

"The problems in Zambia bear no relation to those in the West", notes Dr. Kristy Baker, who through pamphlets, posters, T-shirts and special children's AIDS clubs is trying to publicise the dangers of sexual promiscuity to every primary and secondary school student in the country. Homosexuality and drug-taking have little relevence to AIDS here – the entire post-pubescent, heterosexual population is at risk. It's almost too late for the present adult generation, our major hope lies in a change in the sexual habits of the generations which will follow.

A wide range of specialists in the country agree that changing Zambian male attitudes to sexual activity is the greatest challange to AIDS prevention. "Men just laugh when they see an AIDS poster advising them to stick to one partner", says Vigdis Jacobsen, a Norwegian aid worker helping Zambian women's groups. "Having a mistress or two if one can afford it is part of the culture. It is not only acceptable, but socially elevating."

Others point to the use of alcohol, which in Zambia, as in other African societies, can be heavy. "After a long evening of beer and the company of bar-girls, all AIDS conciousness seems to fly out the window", says one WHO official.

If mistresses are acceptable, the promotion and use of condoms, only recently approved by the Ministry of Health, is less so. On one hand, Zambia's many churches, particularly a number of influential American-based fundamentalist sects, are adamantly opposed to their use on religious grounds. On the other, many Zambians see condoms as an attack on their virility, pleasure, and traditional African ways.

The costs of coping with AIDS in Zambia are high, and with no peak to the epidemic in sight, they will become a lot higher. In cash-strapped Zambia health facilities are already past the point of coping with non-AIDS related cases – there are not enough drugs, hospital beds are insufficient, and there is an acute shortage of doctors.

While it is impossible to predict the course of the epidemic, Dr Eric van Praag, WHO's Zambia AIDS programme leader, believes that seropositivity levels could rise to 20 per cent nationally.

Treatment costs in the future will only represent the tip of the ice-berg. The loss of productivity to the national economy and the solutions required to compensate for lost revenue, manpower, and expertise is something that government officials have not yet begun to deal with.

AIDS has put an indelible mark on Zambia. The ever-increasing number of funeral processions encountered along Lusaka city streets is evidence of the damage already done. The country's new AIDS programme will not be able to undo that, but as Dr Baker points out, if its principle task of information succeeds, it will at least give the generation now growing up the choice of limiting that damage.

# IMF agrees $125m credit for Jordan

By Lamis Andoni in Amman

THE International Monetary Fund has agreed to grant Jordan $125m standby credit provided the Government endorses a new economic adjustment programme which includes sharp cuts in imports and state spending.

This tentative deal, expected to be ratified by the cabinet this week, also involves a $100m-$150m loan by the World Bank to facilitate Jordan's plan to reschedule some repayments of its $6.5bn foreign debt. The two loans will be disbursed over a period of between 18 months and two years.

Jordan's five-year adjustment programme, negotiated with the IMF over the past two weeks, aims to slash the country's budget deficit from 22 per cent of gross domestic product to 5 per cent, and to cut inflation from 14 to 7 per cent.

During a meeting with senior Jordanian bankers late on Sunday night, Mr Zaid Rifai, the Prime Minister, disclosed that the Government and the IMF had agreed to cut state expenditures and increase revenues.

Jordanian economists say the IMF believes Jordan should be able to maintain a minimum of $500m in foreign currency reserves – equivalent to three months of imports – once the adjustment plan is put into action.

The draft plan involves a reduction in capital expenditures, the introduction of new indirect taxes such as value added tax, a further cut in imports and the promotion of exports and tourism.

Mr Rifai reassured the bankers that the IMF had not asked the Government to devalue the Jordanian dinar, currently worth about $2. The dinar has already been devalued by 35 per cent since October, and Jordan has imposed restrictions on foreign currency dealings in an attempt to stop the drain on its reserves.

Jordan hopes that an IMF agreement will encourage the oil-producing Gulf states to increase their financial aid to Jordan, and persuade Jordanian expatriates working in the Gulf to invest their money in Jordan.

# Patience has its rewards as South Korea opens for business

## New-found spending power in a more democratic and international country beckons the investor, writes Maggie Ford

FOREIGN companies are moving to take advantage of South Korea's new-found spending power and taste for quality, from luxury cars to French fashions.

The latest to set up in Seoul include Jaguar cars, United Distillers, makers of premium Scotch whisky, and a branch of Printemps, the Paris department store. The most popular brand of foreign cigarettes in South Korea is made by Yves St Laurent.

As the economy begins to enjoy an external surplus and the Government lifts barriers on imports, the domestic market of 43m people is what interests foreign companies. No longer is South Korea the kind of place marked by producers of toys, shoes or low-level electronic goods setting shop to take advantage of low costs.

While the future potential is clear, however, the problems of doing business in South Korea should not be underestimated.

The country is in transition economically, politically and socially, and this affects everything from prices and wages, to consumer demand and taste, to the attitudes of bureaucrats and local businessmen.

Companies setting up in South Korea face three difficulties – labour relations, sources of finance and the bureaucracy.

Labour is perhaps the worst headache for the manager on the ground. Since the moves towards democratisation in 1987, a workforce which was formerly under forceful control has now been able to unionise and negotiate.

This process, in which all workers and most managers lack experience, has been in some cases exceptionally difficult. Several expatriates have been pulled out after heated disputes that have been drawn into the political sphere. Some businesses, such as foreign banks and other financial institutions, are facing a shortage of highly skilled people, which has pushed up salaries to international levels. An experienced bilingual secretary will be paid between Won800,000 (£712) and Won1m a month including bonuses, and this year's wage round is likely to increase that by at least 15 per cent.

Productivity remains high in South Korea, however, and the kind of structural problems seen in Europe do not seem to be developing. Many managers, counselling patience and sensitivity, say that in time this problem will stabilise.

Financing is another area where the transition of the economy is causing problems. To control the money supply and prevent inflation rising, South Korea's central bank strictly controls the inflow of foreign capital. As a result, funding for setting up businesses has been restricted.

Those foreign companies setting up joint ventures have also found that foreign banks, formerly a source of funds through a "swap" arrangement with the central bank, are less able to help.

Restrictions should ease as the current account starts to record a smaller surplus and structural reforms in the local economy enable more efficient use of money.

The inflow of funds has also caused a rapid rise in office rents and property prices in general, made worse by a shortage of space. The Government has reacted quickly to this, pledging to avoid the problems that have arisen in Tokyo.

Nevertheless, costs have increased markedly recently. A standard central Seoul office of about 1,000 sq ft costs Won2.6m won a month with a refundable deposit of Won18m. A medium-sized three bedroom apartment in a good area will cost US $2,000 a month payable a year in advance and a large house in the area favoured by expatriates now goes for between $5000 and $6,500 a month, with a two-year advance payment.

At the same time few companies wish to remit profits. With an appreciating currency and local interest rates of 12 per cent, businesses are not trying to take their money out of the country.

Businessmen arriving in South Korea from a stint in Japan often have a sense of déjà vu when they encounter the bureaucracy. Evidence of what the country learned from 35 years of colonial rule by Tokyo can quickly be seen in the form of non-tariff barriers, delays in the processing of decisions made by senior officials and signs of local political considerations holding things up.

Again, patience is the answer. The current Government's decisions, which favour open markets, may take time to filter down, but managers believe the overall direction is positive.

South Korea has several advantages in the longer term for foreign manufacturers. Its labour force is ambitious and hard working with one of the highest education levels in the world. Its communications are excellent, though bound by some restrictions, especially those involving electronic transmission.

For companies wishing to penetrate the Japanese market, South Korea offers unrivalled expertise in dealing with the peculiarities of the neighbour it knows so well.

Companies offering high technology are especially welcome in South Korea, but many foreigners will be wary of Seoul's failure to enforce intellectual property protection and its reputation for piracy.

Those with good humour and a calm temperament will probably find the main problems are social. South Korea has been in effect a closed country for the past 40 years – foreign travel was allowed for local people only this year. For English-speaking foreigners, language is not a problem in business, but little English is spoken in shops.

Compared with other Asian cities, Seoul is relatively unsophisticated, with one of the smallest business expatriate communities in Asia. South Koreans' main experience of Westerners has been through the US military, but a rise in anti-Americanism is not finding expression in attitudes towards European businessmen.

A weekend in Hong Kong or Tokyo is the usual solution to the boredom problem, but this is becoming difficult because of a shortage of aircraft seats following the startling rise in South Korean travel abroad.

As those tourists return, bringing with them their experience of other countries, Seoul is likely to benefit. A wealthier, more democratic and more international country in the future, South Korea will be, as one businessman put it, "simply too important" to ignore.

# Bomb injures four near British Council

A HOME-MADE bomb exploded outside the British Council English language centre in Kuala Lumpur yesterday, injuring four people, one seriously. Wong Sulong reports from Kuala Lumpur.

Trading on the Kuala Lumpur Commodity Exchange and the Tin Market, housed in the same Dayabumi building, Kuala Lumpur's most prestigious, was closed as a result.

Police said the bomb went off in an empty office next door. They do not rule out the possibility that it could be the work of Moslem extremists protesting at The Satanic Verses, written by Mr Salman Rushdie, the British author.

The 37-storey Dayabumi building is the headquarters of Petronas, the national oil company, and houses the Ministry of Primary Industry.

OVERSEAS NEWS

# Benazir lifts the veil on women's rights

## Christina Lamb looks at Ms Bhutto's struggle in Pakistan towards sexual equality

THREE months after taking office as Pakistan's first woman Prime Minister, the country's favourite pinup, Ms Benazir Bhutto, has said her government will repeal all laws discriminating against women.

The long-awaited announcement reiterating a campaign promise along with a pledge to appoint two women ministers, comes after a convention of 2,000 *ulema* (religious scholars) in Rawalpindi unanimously agreed that Islam does not permit woman's rule and vowed to struggle until Ms Bhutto is removed.

Ms Bhutto argues: "In the last 11½ years, the worst representation of Islam was given, strongly suggesting to women that religion did not support their rights. It makes no difference whether it is a woman or man Head of State, it is a question of how the country is run."

Bhutto: leading a struggle for emancipation

**As a woman, one is herded into ladies only banks, ladies only bus compartments and even ladies only markets. At weddings and parties, women are usually expected to make small talk in the ladies room. The repressive conditions hardly seem conducive to the emergence of women as a significant force.**

As a woman, one is herded into ladies only banks, ladies only bus compartments and even ladies only markets. At weddings and parties, women are usually expected to make small talk in the ladies room while the men talk politics elsewhere.

The repressive conditions under which most of the country's women exist hardly seem conducive, even under a woman prime minister, to the emergence of women as a significant force, let alone reaching the higher echelons of power.

Career women are still largely an alien concept in Pakistan. According to the 1981 census only 2.1 per cent of the workforce was female and the last government issued directives to banks stating there should be no women supervisors.

Few argue that Ms Bhutto's election will change a great deal for women. It was a considerable achievement, in the face of the protests from religious parties who claim under the Koran that women cannot even head a home let alone a government.

The reason, according to many, that Ms Bhutto became prime minister despite religious opposition is that she is seen as a token man who achieved her position by being the daughter of Zufilkar Ali Bhutto, Pakistan's first elected prime minister.

Ms Abida Hussein, for the Opposition, and the first woman to be elected to Parliament in 1985, argues that Ms Bhutto's gender has been an advantage. "If Benazir had been her father's son she would have had less media focus and sympathy while people would have been more demanding."

Ms Bhutto faces strong religious opposition. During the elections it dropped leaflets portraying her as a sex symbol who preferred to patronise Paris and London nightclubs.

Ms Maleeha Lodhi, editor of The Muslim national newspaper — which, ironically, is owned by Mr Aga Pooya, one of the leading figures in the campaign against a woman head of state — believes the Islamic lobby will make it hard for Ms Bhutto to carry out her election promise to repeal a series of discriminatory Islamic ordinances promulgated by the late President Zia.

"She needs to perform a delicate balancing act. Her constituency expects her to repeal the Islamic laws, improve female literacy (around 12 per cent) and opportunities, but she does not have the majority needed to cut through the social tradition. While the religious parties may not have much electoral appeal, religious sentiment is always there as a powerful tool to mobilise the people."

Even after being sworn in as Prime Minister, Ms Bhutto was sharply reminded of her status. She asked President Ishaq Khan if she could join the men for prayers and was told "you can watch."

Sensitive to criticism of a westernised lifestyle, Ms Bhutto struggles to keep her *dupatta* over her head, to the delight of press photographers. A year ago she surrendered to tradition and agreed to an arranged marriage to Mr Asif Zardari, a wealthy scion.

Women in Pakistan regard marriage as a passport to freedom. Husbands are meal tickets and status symbols. Marriage is big business, matrimonial ads fill the columns. Professional matchmakers stalk weddings and other social events in search of potential candidates for their files, grading their appearance A+ to C-.

A professional matchmaker in Karachi calls her agency the Clifton Women's Welfare Society because she says "helping girls find partners is a major social cause." Her agency is so successful she has opened a second office and her books boast bank presidents, high court judges and film stars.

Most marry for life. For a girl to return to her parents brings disgrace on the family. The matchmaker tells her clients: "Marriage is the only job you'll get so you better get it right." A man can obtain a divorce simply by uttering "I divorce you" three times and waiting 90 days. For women it is a long and costly process, often involving five years in the courts.

She is entitled to only three months' maintenance and any sons revert to her husband at the age of eight and daughters when they are 12.

Since 1979, mullahs have exploited a view of women as physically frail and, sexually, potentially dangerous resulting in several Islamic laws, says Ms Majida Rizvi, one of Pakistan's few woman barristers. These laws, says Ms Rizvi, "have turned Islam from an egalitarian system of social justice to a mechanism for imposing brutal punishments and denying the rights of women."

The Law of Evidence introduced in 1984 classes women as only half a witness while the Zina ordinance classes rape with sex outside marriage and provable only through the evidence of four male eyewitnesses.

For a woman to allege rape is perilous. The victim often becomes the accused. In one notorious case, a blind servant was alleged to have been raped by her employer and his son. Terrified of losing her livelihood, she was scared to complain. But when her father discovered she was pregnant, he filed a writ. The accused were acquitted on the ground that blindness prevented identification. She was convicted of sex outside marriage and only released after demonstrations

The position of women worsened after martial law was lifted in 1985. In a quid pro quo move paving the way for an end to martial law, the Assembly passed an amendment which provided blanket cover for all the dictatorship's orders.

Ms Shahaz Ali was elected to the 237-member assembly on one of 20 reserved seats for women. She believes that "discriminatory legislation and obscurist views propagated by government and official media during the last 11 years encouraged a certain view of woman which led to an increase in the number of crimes and brutalities

While Ms Shahnaz hopes that a female prime minister will mean a new dawn for her sex, not all women welcome change. Ms Amira Ehsan, an assembly member who belongs to the religious party, Jamaat Islami, believes a woman head of government is unnatural.

"One cannot overcome the biological distinction which means women must manage the house and man be breadwinner. In the name of sexual liberation, women in the West are forced to fend for themselves and act like men. A time will come when Western women will turn to Islam to see how they can escape their life of exploitation."

# UK hopes for larger Malaysian arms sale

By David White, Defence Correspondent

UK NEGOTIATORS are trying to persuade Malaysia to enlarge a package agreement for the supply of British arms, restoring items that were unexpectedly cut out of the deal by the Malaysians.

The discussions significantly affect the size of the deal, estimated to be of the order of £1bn.

The agreement principally involves Anglo-German-Italian Tornado combat aircraft. Malaysia was initially expected to buy 12 but Dr Mahathir Mohamad, the Prime Minister, is believed to have reduced the number at the last moment to eight.

Rapier surface-to-air missile systems, which were also due to be part of the deal, were likewise excluded from the package. Despite this, British Aerospace, manufacturers of Rapier and the UK partner in the Tornado, are understood to be hopeful of still securing the Malaysian market.

Uncertainty about the scope of the deal is thought to be the reason for the UK Government's refusal to divulge any details of the agreement. Mr George Younger, the Defence Secretary, visited Malaysia at the end of March. All the Ministry of Defence said was that the two governments had "agreed on the projects to be afforded first priority in the programme."

Mahathir: cut the size of the deal at the last moment

Companies involved in the deal, seen as blazing the way for a UK arms drive in Asia, have been under strict instructions to maintain secrecy.

A government-to-government memorandum was signed by Dr Mohamad and Mrs Margaret Thatcher, the British Prime Minister, last September, but detailed contract negotiations were held up by a dispute over Malaysia's demands for extra airline landing rights at London's Heathrow airport.

Britain ceded to Malaysia's request last month, clearing the way for contract negotiations. The planned sale is believed to include two Martello air-defence radars from GEC-Marconi, a refurbished Oberon-class submarine, portable Javelin missiles from Short Brothers, about 30 FH-70 towed howitzers from Vickers Shipbuilding and Engineering, and 105mm light guns from BAe's Royal Ordnance subsidiary. Some guns are also thought to have been cancelled.

BAe hopes the deal will pave the way for other Tornado sales in the Far East, notably Indonesia. The difficulty over numbers follows problems with two other Tornado clients: Oman, which has deferred deliveries, and Jordan, which has shelved its purchase indefinitely.

# New Gatt guidelines 'favour Europe on farm aid'

By David Buchan in Brussels

THE new agreement re-launching the General Agreement on Tariffs and Trade talks puts Europe under no international onus to make further cuts in its farm support, Mr Raymond McSharry, the EC Agriculture Commissioner, said yesterday.

Crowing over what Commission negotiators had achieved in Geneva, Mr McSharry claimed the EC could go on drawing on "credit" for past reforms – recognised in the Geneva declaration – into the 1990s without having to undertake new farm spending reforms.

The EC had also prevailed by getting the Geneva declaration to call for "progressive reduction" of subsidies, rather than their elimination as urged by the US, he said.

At the same press conference, Mr Frans Andriessen, the EC External Affairs Commissioner, said he believed that EC governments "will be persuaded that the right action has been taken" by the European Commission's negotiators.

He referred indirectly to last-minute complaints by Italy and Portugal about phasing out textile trade restrictions, by stressing that the eventual compromise "balanced interests" of exporter and importer alike.

By stepping up the rate of negotiating sessions, the Uruguay Round of the Gatt talks, which started in 1986, could meet its 1990 deadline for final agreement, Mr Andriessen said.

Under the Geneva declaration, the Community is to get "credit" for what it has done since 1986 in cutting back internal farm price supports and agricultural export subsidies.

Mr McSharry said Brussels would have liked this credit backdated to 1984, when EC farm reform began in earnest. But even in the past three years the EC had built up so much credit, he claimed, that Europe could take its share of the "down payment" (that all Gatt members are due to make in 1990 towards agricultural reform) out of this credit "and still have credit left over for 1991-92," the Commissioner said.

Mr McSharry shrugged off suggestions that the new Gatt guidelines would constrain future farm policy-making by Brussels.

But he indicated that he would not soften his 1989-90 harvest price proposals, due to be discussed by the European Parliament this week and by EC farm ministers next week. These proposals call for a general freeze, with a reduction in sugar price support.

# US 'undermining free trade'

By Anatole Kaletsky in New York

THE WORLD'S multilateral trading system centred on Gatt could soon be "bruised fatally" by the Bush Administration's trade policies, a group of leading US economists and lawyers said in a strongly-worded declaration issued in New York yesterday.

The "Super-301" retaliation procedures mandated by the 1988 Trade Act were likely to promote worldwide protectionism and accelerate a worldwide slide towards managed instead of free trade. The statement, organised by Professor Jagdish Bhagwati of Columbia University, was signed by several Nobel laureates and former chairmen of the Council of Economic Advisers from both ends of the political spectrum.

The statement criticised several recent developments in US trade policy including:

- The proliferation of "fixed-quantity" trade agreements, such as voluntary export restraints. These could soon be supplemented by voluntary import expansions under which US trading partners would have to commit themselves to minimum physical quantities of specified US imports.
- The emphasis in US rhetoric on "fair" trade and "appropriate" shares of the Japanese market. There is "no plausible way in which such fair shares of a market can be estimated".
- The threats of Super-301 retaliation against allegedly unfair trading partners. In the past trade barriers had been lowered by negotiated multilateral reductions in tariffs. The new approach would do the opposite. It would intensify protectionist tensions between the US and its strong trading partners such as Europe. While the US would probably succeed in bullying smaller countries into submission, the 301 policies would revive the image of "the ugly American" and probably lead to inefficient trade diversions by countries which lacked the political clout to resist US demands.
- US unilateralism on trade ignored Gatt's legal basis. Gatt was an international treaty with the force of law in all signatory nations. The US was not legally entitled to raise bound tariffs on manufactured goods at will, but nonetheless did so.

# Australia is to join CoCom

By Chris Sherwell in Sydney

AUSTRALIA is to join the exclusive and secretive club of 16 Western nations known as CoCom, which restricts trade in militarily sensitive technology to prevent its diversion to the communist bloc.

A meeting of the executive committee of CoCom at its Paris headquarters today is expected to confirm Australia's membership. The decision follows Canberra's move to implement all the provisions necessary to align its regulations with those of CoCom.

CoCom, which stands for Co-ordinating Committee for Multilateral Export Controls, is a group of Nato countries, France and Japan which aims to prevent the diversion of strategic commercial technology to the Soviet Union, Eastern Europe and China.

Entry to the group means that Australian exporters of sensitive "dual use" technology will no longer have to wait several weeks – and, in certain instances, many months – for permission. This was obtained through the Australian government.

Although Australia has supported the restrictions in principle, it was growing increasingly restless about such delays at a time when its exports of hi-tech products were rapidly increasing. Last year the Government initiated a survey to establish to what extent Australian companies were being disadvantaged.

The move will also allow Australian companies to benefit from any relaxation in restrictions that might come with an easing of international tensions and it will give Canberra an important say in the drafting of new rules in the future.

# East falters in European trade

## UN survey finds uncertain prospects, writes William Dullforce

UNCERTAINTY clouds the prospects for further growth in East-West trade in 1989, according to the Economic Survey of Europe for 1988-89 published yesterday by the United Nations Economic Commission for Europe.

The ECE bases its caution on the possibility that the Soviet Union's terms of trade will continue to worsen, after a 14 per cent decline last year, and on the tendency for the exports of the other East European economies to stagnate.

A marked upswing in East-West exchanges was recorded in 1988 and several factors, including economic reform in Eastern Europe, remain favourable, but the ECE is concerned about the evolution of key prices in the Soviet Union and the East Europeans' ability to build on the recent upturn in their exports.

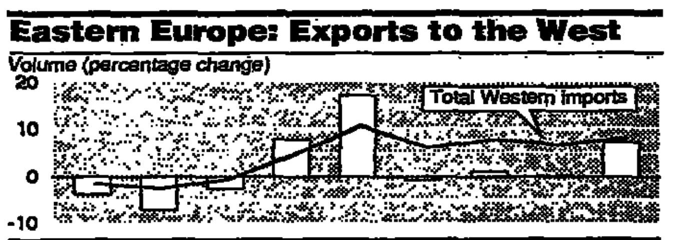
The outlook for the Soviet Union hinges on oil and grain prices. Moscow's efforts to increase exports are favoured now by higher oil prices but oil market experts are predicting a sharp price decline this spring. Meanwhile early assessments of the 1989 crops suggest that grain prices could strengthen.

Moreover, the Soviet Union recently announced that oil exports in convertible currencies would be cut by 5 per cent in the first half of 1989, indicating that it is having difficulty in achieving the planned increase in oil production.

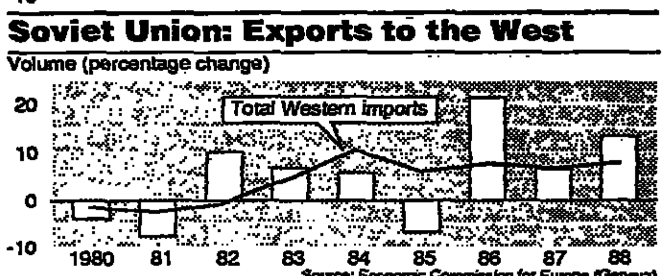
Assuming that Soviet grain imports remain high, or may even have to exceed the 36m tonnes last year, the ECE finds it likely that imports of other goods will have to be scaled back.

This will be difficult because, despite the rise in volume last year, Soviet imports were still markedly below their 1985 level. The ECE concludes that, in contrast to recent years, the emphasis in Soviet imports from the West could switch from engineering goods to food.

**Eastern Europe: Exports to the West**



**Soviet Union: Exports to the West**



Another small increase in debt can be expected, but, noting past Soviet efforts to hold down indebtedness, the ECE considers it unlikely that the Soviet authorities will finance an import boom in consumer and capital goods through foreign borrowing.

The credit lines extended to the Soviet Union by Western banks last year probably totalled less than the $10bn at first discussed and, in the ECE's view, will mostly be used to refinance maturing debt. Gold sales will continue to be an important means of finance.

Other East European countries too are rejecting the option of increasing debt to finance imports. Export performance will therefore dictate their import capacity and the ECE doubts whether the expansion in East European exports in 1988 can be sustained.

No significant change is forecast in East European terms of trade in 1989 but higher interest rates will probably restrain imports.

In the ECE's analysis the East European countries' poor commodity structure and the declining performance of their manufactures on world markets, in particular in competition with Asian exporters, are restricting the more dynamic elements that currently foster their export growth.

However, the ECE lists three factors which have opened "a window of opportunity" for the expansion of East-West trade in the longer term. These are the East European countries' opportunity to switch exports towards the West as they have to pay less for their oil imports from the Soviet Union; their economic reforms; and the relaxation of international tension which is allowing them to think of integrating their economies more closely with those of the West.

East-West trade was relatively buoyant in 1988. Soviet exports grew by 13 per cent in the first nine months and imports from the West by 11 per cent, a rebound from the sharp falls of the previous two years.

Moscow's trade balance with the West swung from a $1bn surplus in 1987 into a deficit of some $2.5bn and Soviet net debt, after adjusting for currency changes, is estimated to have risen by more than $1bn. In dollar terms the debt remained unchanged at some $40bn gross and $26bn net.

East European exports to the West climbed by 7 per cent in the first nine months while imports showed a sluggish rise of less than 3 per cent, reflecting efforts to improve current accounts or to hold down foreign debt. The area's net indebtedness dropped by almost $3bn to $73bn at the end of 1988.

The ECE secretariat is somewhat sceptical about official reports and predictions. It notes, for instance, that "alternative professional estimates" put Soviet output growth considerably lower than the 4.5 per cent officially reported.

It finds "rather optimistic" the Soviet authorities' target for 1989 of 3.8 per cent economic growth over the planned level for 1988, which would imply a 6 per cent increase over the actual level for 1988. The aggregate 4.5 per cent growth, reflected in the plans of the East European countries, "may not prove to be realistic target".

The 260-page survey includes a short study on the effects of Western Europe's ongoing economic integration on imports from Eastern Europe, notably the European Community's move towards a single market. It finds that EC imports are being switched to suppliers in Southern Europe.

A section on retail trading facilities in the Soviet Union and Eastern Europe finds that investment in retailing is much lower than would be justified by the overall level of economic activity.

Even if limited encouragement is now being given to private initiative in some Eastern countries, time is still needed to bring about fundamental improvements in "everyday reality", the ECE concludes.

# Outline budget deficit deal nearer

By Peter Riddell, US Editor, in Washington

THE Bush Administration and Congressional leaders are working towards an agreement which will set overall guidelines for a budget deficit reduction package, but will leave specific spending and revenue decisions to be determined later by Senate and House committees.

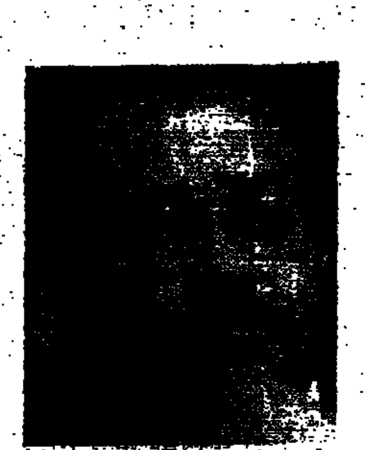
Any deal looks like being tentative and subject to revision in mid-summer, when new, and almost certainly more pessimistic, forecasts are likely to show that more will need to be done to reduce the deficit below the statutory target of $100bn for fiscal 1990 starting this October.

Mr Tom Foley, the Democratic House Majority leader, said yesterday after talks resumed that the negotiators were "making progress", though they had not "closed all the gaps yet". While hopeful that an agreement could be reached this week, he warned that "nothing is agreed until virtually everything is agreed".

President George Bush is due to meet Congressional negotiators tomorrow. Any announcement will be presented as a sign of bipartisan determination to tackle the deficit.

However, any agreement looks like covering just fiscal 1990 rather than being the comprehensive multi-year package for which the Administration originally hoped and which Mr Alan Greenspan, the chairman of the Federal Reserve, has been urging. It will therefore put off until later this year or next year politically difficult decisions on the deficit.

Mr Bill Gray, a member of the Democratic leadership and former chairman of the House budget committee, commented: "What they are going to end up doing is patching together a get-me-through-the-night budget." Similarly, Mr Charles Schumer, a member of the budget committee, talked of "a lowest common denominator situation".



Bill Gray: a "get-me-through-the-night budget"

After several weeks of talks, the key development has been the willingness of the Administration to consider alternative ways of raising revenue to those outlined in the Bush budget two months ago. This reflects congressional opposition to earlier proposals, such as cuts in capital gains tax, but any revenue changes are likely to be small, so as not to violate the President's "no new taxes" pledge.

There are reports that both sides accept the need for spending savings of about $14bn and a similar amount in additional revenue, of which $5bn to $6bn would come from changes in the tax code and user fees and charges and from sales of federal assets. However, there is still strong argument over the details.

On the spending side, the Administration is having to accept a tighter squeeze on the defence budget to offset a smaller cut in Medicare health spending than it proposed.

# Politics at centre of low pay issue

THE US Senate is likely this week to approve a measure to increase the minimum wage – creating the first legislative confrontation between the Democrat-controlled Congress and the Republican White House.

Yet the political battle between President George Bush – determined to assert his authority after Mr John Tower failed his nomination as Defence Secretary – and congressional Democrats, eager to advance their own social agendas, has tended to overshadow the economic and social merits of the issue.

The minimum wage, first set in 1938 to help the working poor, was fixed at $3.35 an hour in 1981 and unchanged throughout the Reagan years. This was in spite of attempts by Democrats, backed by labour unions, to secure an increase.

However, during last year's election campaign Mr Bush promised a "modest" increase. As President he has proposed a rise to $4.25 an hour phased over three years, with a six-month "training wage" fixed at 80 per cent of the minimum for all new recruits. In addition, the range of businesses exempted from the minimum (defined by turnover) is set to be extended.

The House of Representatives has already approved an increase to $4.55 an hour over three years, with a two-month training wage just for first-time workers. The Senate is considering a broadly similar measure. Democrats argue that such a rise is necessary to improve the living standards of the poor since the real value of the minimum has fallen by 40 per cent during the 1980s.

The difference between the two approaches does not appear to be large but President Bush said last Friday he would not compromise: "I have no intention of budging one inch on this."

But some conservative Republicans and many economists believe that Mr Bush has already gone too far in conceding the principle of an increase in the minimum. The main objection is that raising the minimum wage will be inflationary, by pushing up pay rates, and will cost jobs at the margin since employers will cut back or not expand in the precisely the area of low wage part-time jobs which have increased so much in the 1980s.

The Administration has estimated that an earlier proposal to increase the minimum to $4.65 an hour would cost 650,000 jobs, while a recent estimate by the Congressional Budget Office has put the loss at between 125,000 and 250,000 jobs by 1992 – with a boost to inflation of between 0.1 and 0.3 percentage points a year.

## Congress prepares for battle with Bush over minimum wage, writes Peter Riddell

However, a University of Michigan study last year estimated the possible job loss at 70,000 or so. An increase in the minimum would have less impact than in the past, partly because of the increase in average wages above the minimum during the 1980s and because demographic changes have resulted in fewer teenage workers, the main group receiving the minimum.

Turning this point around, an increase in the minimum might also have a smaller beneficial impact than in the past. Minimum-wage jobs have dropped from 7.8m to under 4m, or 3.4 per cent of the sharply expanded labour force. Market forces have pushed wages well above the minimum.

More significantly, there is only a partial correlation between people earning the minimum and the poor. Less than a tenth of those earning the minimum wage are below the poverty line. This is because a majority of workers earning the minimum are teenagers or young adults still living at home in households which are not poor according to official definitions. Well under a quarter of those on the minimum are heads of households. Around two-thirds of minimum-wage jobs are part-time, typically in the service sector. Moreover, only a small proportion of the poor are on the minimum.

Examining these statistics, Mr Ron Mincy of the Urban Institute concludes that raising the minimum wage would have a limited impact in reducing the gap between low wages and the poverty line by perhaps 13 per cent.

He notes that at a recent conference organised by the institute there was an acceptance that the minimum wage debate was now perhaps as much about equity, or fairness, and labour standards as about affecting big changes in poverty. Moreover, the problem is only partly about low wages and more about the part-time, part-year nature of employment, for which a minimum wage increase would make little difference.

This leads to the conclusion, according to Mr Mincy, that solutions to poverty would involve spreading the burden between business – via some change in the minimum wage and health insurance – and government, via an extension of the earned income tax credit. This refundable credit assists low-wage workers and proposals have been put forward (mainly by Republicans, though also by some Democrats) to expand the credit to help poorer families. This does not affect employers' costs, but it would boost the budget deficit.

The debate over the minimum wage has now turned into one of political symbolism – between organised labour and business, and between Democrats and Republicans. Paradoxically, having conceded the point of principle over raising the minimum, Mr Bush is now fighting over minor amounts for the politically different objective of showing that he will not be pushed around by the Democrats in Congress and lose the initiative on other social issues.

Yet Mr Bush does hold some key cards since the Democrats do not have enough votes (two-thirds in both Houses) to override a presidential veto – and they want an increase more than he does.

# Mexicans celebrate capture of drug dealer

By Richard Johns in Mexico City

IN A major coup the Mexican authorities captured Felix Gallardo, the country's most sought-after drug trafficker, at the weekend in a swoop on a house in Guadalajara.

For the Government the triumphant announcement by the Attorney-General's office could not have been better timed, coming within a week of the US Congress vote on President George Bush's recommendation to "certify" Mexico in its campaign against narcotics.

Mr Gallardo, 43, emerged as a big dealer in cocaine destined for the US market in the early 1980s. His operations are reckoned to have been second only to those of two Colombian cartels.

The US has suspected him of possible complicity in the torture and killing in 1985 of Mr Enrique Camarena, the US Drug Enforcement Agency operative.

As the "godfather of the Guadalajara cartel" Mr Gallardo was a close associate of Mr Rafael Caro Quintero, another jailed Mexican drug baron, who was extradited from Costa Rica three months after Mr Camarena's death and convicted on drug trafficking charges, but not the murder of the DEA agent, for which the US believes him to be directly responsible.

The Attorney-General's office said the capture manifested the will of President Carlos Salinas de Gortari "to fight to its final consequences this social cancer".

Following the arrest of Mr Joaquin Hernandez Galicia, the petroleum workers' boss, in January, and Mr Eduardo Legorreta, a leading stockbroker, in February, on various charges, Mr Salinas is known to have been desperately anxious to obtain the scalp of a leading drug trafficker as well.

Only last week, Mexico mounted an unprecedented operation along its northern border involving 3,000 police and military personnel on a 45-day operation using planes and helicopters.

# Drug war begins in Washington

By Lionel Barber in Washington

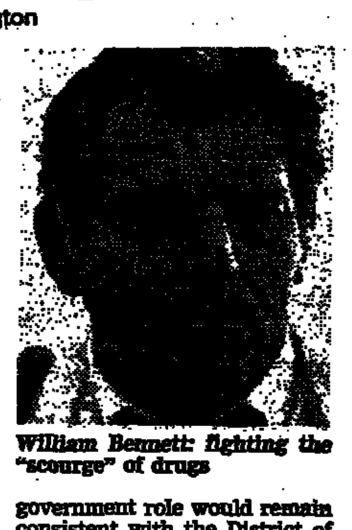
THE BUSH Administration yesterday unveiled a wide-ranging initiative aimed at combating the drug crisis in Washington, DC, which has earned the city the reputation of the murder capital of the world.

The new initiative includes a new federal penitentiary in the Washington area, a temporary jail on federal land in the district, and an enhanced role for the FBI and US marshals working with local police. It focuses on law-enforcement, therefore, rather than the health aspects of the problem.

The administration is looking for a high profile success to fulfil President George Bush's pledge to rid the US of the "scourge" of drugs, and it has singled out Washington as a test case.

Singling out Washington has been made easier because the city's mayor, Mr Marion Barry, is widely recognised as an ineffective leader who is under investigation himself for his friendship with an accused drug-dealer.

However, Mr Bush's new drug policy director, Mr William Bennett, formerly Education Secretary in the Reagan Administration, stressed yesterday that the new federal government role would remain consistent with the District of Columbia's powers.



William Bennett: fighting the "scourge" of drugs

Mr Bennett said 371 murders were committed in Washington last year, a per capita rate more than seven times the national average. Over the past 2½ years, there have been over 46,000 arrests on drugs charges in DC, but he said only 1,400 people were in jail. One of the main reasons was the lack of prison space, he said.

At a press conference yesterday, Mr Bennett was accompanied by Mr Richard Thornburgh, US Attorney General, and Mr Jack Kemp, Housing Secretary.

Mr Bennett has been charged with co-ordinating the work of all federal agencies in the war against drugs, but does not enjoy Cabinet status.

Mr Kemp said he intended to introduce new measures, including swifter eviction of illegal tenants, to combat drug trafficking and drug abuse in public housing. The measures also include the removal of graffiti, identification of legitimate tenants with photo identification cards, and a drive for more public funds to encourage the creation of athletics and baseball teams in public housing areas. Mr Kemp is a former American football star and congressman from New York state.

Despite Mr Barry's political weakness the Bush administration is taking a risk by intervening in the affairs of Washington, because home rule is a jealously guarded right in the local community, which is predominantly black. Mr Barry has sought to exploit this by seeking $100m in federal aid for his own drug-fighting efforts, and he has also advocated sending US forces to attack coca plantations in Latin America.

# SEC starts action against ex-Merrill Lynch trader

By Janet Bush in New York

THE Securities and Exchange Commission said in New York yesterday it had instituted public administrative proceedings against Mr Howard Rubin, former head trader of mortgage-backed securities at Merrill Lynch Government Securities.

The SEC said Mr Rubin was accused of wilfully violating the anti-fraud provisions of the Securities Act of 1933 and the Exchange Act. An administrative proceeding is a disciplinary action taken by the SEC. Possible penalties range from censure to being barred from the securities industry.

Mr Rubin now believed to be employed by Bear Stearns, which hired him in January 1988, eight months after he was fired from Merrill Lynch.

In April 1987, Merrill Lynch announced a pre-tax loss of $250m because of a sharp drop in the price of one type of mortgage-backed security.

Merrill Lynch blamed about $160m of the loss on unauthorised purchases by Mr Rubin. The mortgage-backed losses eventually mounted to $377m.

The SEC is accusing Mr Rubin of offering to sell $500m of Merrill Lynch Government National Mortgage Association 11 per cent interest-only securities in contravention of his supervisors' instructions.

The SEC said Mr Rubin's transaction meant that Merrill Lynch was forced to sell the GNMA securities to a trust, to underwrite the interest-only securities subsequently issued by the trust, to sell the interest-only securities to its customers and to take on to its own books $500m in principal-only securities also created and issued by the trust.

# Peru to unveil economic revival plan

By Veronica Baruffati in Lima

THE Peruvian Government was expected to announce new plans last night to stimulate the stricken economy and to combat internal subversion.

President Alan Garcia broke a three-week silence on Sunday to say the Government was about to reactivate the economy by using half of the central bank's reserves, which now total $750m (£435m).

The details of the plans were to be announced last night by Prime Minister Armando Villanueva del Campo.

Peru must use its reserves for its own development and not to pay back the international financial organisations, Mr Garcia said: "International credit is changing, thanks to Peru's attitude towards the IMF and its abuses."

UK NEWS

# Sharp rise in input costs highlight inflation fears

By Simon Holberton, Economics Staff

PRICES for manufacturers' raw materials and fuel rose sharply last month, underlining the extent to which the UK economy is vulnerable to imported inflation if sterling weakens.

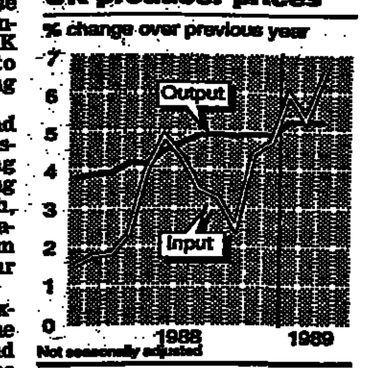
Department of Trade and Industry figures released yesterday show manufacturing industry's input prices rising by 1.4 per cent last month, after allowing for normal seasonal variations, to bring them 6.7 per cent up on a year before.

The rise in costs was unexpectedly sharp. It reflected the fall in the value of sterling and strong oil prices. The figures caused London share and UK Government bond prices to fall, although there was some recovery in subsequent trading and sterling remained stable.

The markets were encouraged by a lower than expected rise in industry's factory gate prices. These were up 0.3 per cent last month on an unadjusted basis, leaving the year-on-year increase unchanged from February at 5.2 per cent. Output prices are not seasonally adjusted.

The news on input prices is unwelcome for the Government. It followed the announcement by several leading securities houses that yet higher interest rates would be needed to control inflationary pressures in the economy, which they had previously underestimated.

UK producer prices



Mr Nigel Lawson, Chancellor of the Exchequer, hinted last week that the current level of interest rates may not slow the economy enough to remove the inflationary threat. A similar warning came from Mr Robin Leigh-Pemberton, Governor of the Bank of England.

The Treasury said yesterday that the Chancellor had taken the action appropriate to bring down inflation. It had not revised its forecasts for UK inflation this year. It also said that monthly price data can be erratic.

Mr Lawson said at the time of the budget that the annual inflation rate would fall to 5½ per cent by the last three months of the year. The latest retail price index figures, for February, showed the inflation rate at 7.8 per cent, and there is some belief that the March figure could reach 8 per cent.

Mr John Shepperd, economist at Warburg Securities, said yesterday of the latest figures: "There is a warning here for the Government in the way it handles the exchange rate. You have got to be careful about letting it go."

Analysts said it took about three months for high costs to manufacturers to feed through to higher factory-gate prices. Another three-month lag was typical before those prices were reflected in increased retail prices.

# Lawson confident on economy

By Peter Norman and Philip Stephens

MR NIGEL LAWSON, the Chancellor of the Exchequer, yesterday reassured MPs that government policies were designed to sustain a "transformation" of Britain's economy despite worries about inflation and the country's balance of payments deficit.

However, shortly after the Chancellor gave a generally confident view of economic trends before the House of Commons Treasury and Civil Service Committee, Mr Peter Walker, the Welsh Secretary, last night warned that Britain faced serious economic problems.

In a lecture to the Tory Reform Group, of which he is president, Mr Walker said the challenges of the 1990s would not be solved by any single "simplistic economic dogma".

Mr Walker singled out two major problems. These were "inflation due to a consumer credit boom and our worst ever non-oil adverse balance of payments provoked again by consumer credit sucking in imports of consumer goods from overseas".

In his evidence to the committee, Mr Lawson said the Government would act without hesitation to raise interest rates if it became clear that monetary policy was not tight enough to douse inflation. He underlined that a devaluation of sterling would be damaging to the Government's anti-inflation strategy and would therefore be unacceptable for the foreseeable future.

But Mr Lawson also sounded a confident note about recent economic developments. There were clear signs that the economy was slowing down with calmer conditions on the housing market and a "striking deceleration" in the growth of narrow money.

The Chancellor said that over the year to March, MO, the Government's narrow money measure of mainly notes and coin in circulation, had increased by 6.2 per cent. Some 6 per cent of this increase took place in the six month period to last September with the increase in the second six month period to March accounting for only 0.2 per cent of the yearly growth.

Mr Lawson said there was no need for slower economic growth in Britain to result in higher unemployment so long as managements kept control over pay increases.

Charles Leadbeater writes: Dockers' leaders yesterday pulled back from calling a national strike ballot over the Government's decision to abolish the national dock labour scheme to allow more time to consider the legal, financial and tactical implications

# Government plans to extend GP reforms

By Alan Pike

THE GOVERNMENT intends to move even further with plans to relate family doctors' income to the number of patients on their lists, despite criticism from the medical profession.

The health care policy paper, Working for Patients, announced proposals in January to make payments for at least 60 per cent of general practitioners' (GP) income against about 47 per cent now.

But Mr Kenneth Clarke, the Health Secretary, says in an interview in today's Financial Times health care survey that he wants payments to "go up to quite a bit above 60 per cent" because he believes list size is the best reflection of each doctor's workload.

The Government thinks paying doctors by the number of patients will foster a more competitive approach. GPs' leaders believe it will reduce the amount of time available for consultation and put doctor-patient relationships at risk.

Meanwhile, Mr David Mellor, the Health Minister, tried yesterday to defuse a new outbreak of criticism from the medical profession of the National Health Service (NHS) reforms.

Consultants at five hospitals which are experimenting with the Department of Health's Resource Management Initiative – aimed at improving clinical information and getting doctors more involved in management – have warned that they do not want to be diverted by "premature consideration of self-governing status for these hospitals."

It has been widely assumed in the NHS that resource management hospitals would be among the first to become self-governing, since they are developing the appropriate management structures to do so.

Mr Mellor stressed in a statement replying to the consultants that self-governing hospitals would remain part of the NHS. All the Government was seeking at this stage was an indication of whether hospitals were interested in self-governing status.

## Lonrho faces contempt threat over Fraser affair

# Law lords angered by despatch of leaked takeover report

By Raymond Hughes, Law Courts Correspondent

The battle over House of Fraser, the Harrods store group, took a dramatic turn yesterday when five Law Lords warned that Mr "Tiny" Rowland, his international trading company Lonrho, and the Lonrho-owned newspaper the Observer might be in contempt of the House of Lords.

The warning – which could, in theory, lead to Mr Rowland being jailed – was provoked by the fact that controversial documents about the case had been sent to four of the five Law Lords due to hear an appeal by Lonrho in the case. The documents included copies of the banned special issue of the Observer which carried extracts from the leaked Government report of the 1985 takeover of House of Fraser by the Egyptian Fayed brothers.

The Law Lords, who also threatened to refuse to hear Lonrho's appeal, gave the company until tomorrow morning to come up with satisfactory explanations for what they think may have been an attempt to influence their approach to the appeal.

Lonrho is challenging the Court of Appeal's decision in January to overturn rulings by the High Court ordering Lord Young, the Trade and Industry Secretary, to refer the Fraser takeover to the Monopolies and Mergers Commission and to reconsider his decision not to publish his inspectors' report into the matter while the Serious Fraud Office is considering whether it gives grounds for prosecutions.

Last week the High Court allowed Lonrho temporarily to retain one copy of the leaked report to enable its lawyers to prepare for yesterday's appeal.

When the parties and their lawyers gathered in a House of Lords committee room yesterday to begin the appeal it was expected that the first issue would be whether the report could be put in as evidence.

However, that was pre-empted by an unprecedented statement by Lord Keith of Kinkel, the presiding Law lord.

Referring to documents about the dispute which had been sent to Law Lords since before a previous Lonrho/House of Fraser case in 1987, Lord Keith said:

"There would seem to be room for the view that the sending of these documents ...was brought about by or at the instigation of Lonrho or Mr Rowland personally.

"It is for consideration whether the sending of these documents to the Lords of Appeal was designed to influence them in their approach to the appeal due to be heard today, and whether it may constitute a contempt of the House of Lords.

"It is further for consideration whether the partially successful publication by the Observer newspaper of its special issue did not in itself constitute a contempt of this House, and if so, whether that publication was instigated and brought about by Lonrho or Mr Rowland who would, if so, be parties to the contempt, the seriousness of which would be much aggravated by the existence of the pending appeal."

After an adjournment Mr John Beveridge, counsel for Lonrho, said he was instructed by the Lonrho board "unreservedly to apologise" and express regret for "an administrative error." He explained that there had been a mailing list of about 3,000 people to whom documents had been sent. At some point the Law Lords' names were supposed to have been removed from the list.

Lord Keith, sitting with Lords Templeman, Griffiths, Ackner and Lowry, said there were three matters which particularly interested them.

● The circumstances in which documents had continued to be sent to them after a warning given by Lord Keith in 1987.

● The responsibility, if any, which Lonrho had for the report coming into the Observer's hands and whether there had been any communication between Lonrho and the Observer about the proposed publication of the special issue before it took place.

● Who had been responsible for sending the special issue of the Observer to the Law Lords and how that had come about.

# Pirelli UK leads group output

By John Griffiths

PIRELLI'S British tyre plants are now rated by the Italian parent as the most productive of all its plants worldwide, Mr Joe Denton, manufacturing director of Italy's UK tyres subsidiary, said yesterday.

The subsidiary was announcing that it made another record operating profit in 1988 and added 100 jobs. But higher interest rates pushed its net profit marginally below that of 1987, and most of its senior management involved with distribution were replaced in a drive to improve the company's performance in replacement tyres, the single biggest sector of the market.

Total sales of Pirelli last year, which exclude Pirelli's cables activities in the UK, were up 5.6 per cent at £222.9m, with exports from its plants at Burton-on-Trent, in the Midlands, and Carlisle, in northern England, accounting for 42 per cent of the total.

Operating profit was £14m, some £400,000 higher than in 1987, but steeper interest charges reduced the net figure to £10m compared with £10.17m the previous year.

The company and its subsidiaries employ 3,600 people in the UK. Pirelli plans to invest £9m in its manufacturing activities this year, followed by about £11m every year up to and including 1992, said Mr Denton.

Pirelli yesterday claimed to have accounted for 20 per cent of last year's 6.9m original equipment car tyres in the UK market. Senior executives said yesterday they envisaged Pirelli being able to capture overall UK market leadership over the next few years, a position currently held by Michelin Tyres of France.

# Third World charity faces £650,000 cash crisis

By Joel Kibazo

WAR ON WANT, the Third World charity, yesterday admitted it had a "cash flow problem" and was in the process of seeking a £650,000 bank overdraft to meet its immediate cash obligations.

The cash crisis was precipitated by the decision last month of two consortia of British and European charities working on long-term aid projects in Tigray and Eritrea, to separate their accounts from those of War on Want.

War on Want had administered both the Eritrea Inter-Agency organisation and the Tigray Transport and Agricultural group since they were formed six years ago, adding the two consortia's £1.7m to its own financial operations.

Mr Francis Khoo, War on Want general secretary, yesterday admitted the charity had a cash problem: "Normally, we ... have assets we could liquidate, but the thing which caused the problem is the immediate needs of the consortia. It is a question of timing."

Several members of both consortia became "concerned" over rumours that War on Want was facing cash flow problems and demanded the separation of their accounts.

War on Want was able to transfer £900,000 immediately to the new consortia accounts, and soon raised £400,000 through the sale of unit trusts.

The Bank of Scotland have agreed to a £650,000 overdraft, and are currently waiting for approval from the Charity Commission before the money can be released.

The bulk of the overdraft, about £400,000, is to be used to repay money owed to the consortia. The rest is to go towards redundancy payments for six War on Want staff, dismissed as part of a restructuring of the charity's finances.

War on Want's Finance Committee noted last November that there had been "insufficient financial controls" within the charity.

The overdraft is being secured against War on Want's London headquarters, recently revalued at £1.2m. The charity said its present difficulties would not affect its aid programmes in the Horn of Africa.

# ITV companies form US link for barter business

By Raymond Snoddy

THREE of Britain's largest ITV companies are moving into the television barter business with US partners.

Barter television, a significant force in the US television market, involves the selling of television programmes to television stations in return for a slice of their advertising time rather than for cash.

Thames Television, the largest ITV company, Central and Yorkshire will announce later this week the formation of a consortium with ABC, the US network company, MGM/UA Telecommunications, a division of the Hollywood studios and D.L. Taffner, a company that sells Thames television programmes and programme formats in the US.

The new consortium, Advertising Supported Allied Programming, will be aiming at the European market although such television barter is not legal in the UK at the moment.

Possibilities may include satellite television companies, countries such as Italy where there has been a significant degree of deregulation in recent years and countries where new private broadcasters are challenging the established public service broadcasting organisations.

Barter is a powerful weapon to finance television programmes because an agreement that advertising time will be made available for a particular programme can be used to raise money from banks to pay for its making. In other cases a major international advertiser actually puts up the money for the programmes in exchange for guaranteed access to the airtime in and around it.

UK companies such as Granada Television have been involved in some international barter deals but the new consortium will represent the biggest move so far by ITV companies into the barter market.

The move is an example of the growing internationalisation of the television market, the moves towards deregulation of television in many European countries and the pressure ITV companies face in the run-up to new broadcasting legislation in the UK.

The barter deals are likely to involve the large high cost dramas with international sales potential.

# Opera house seeks interval in restoration drama

**Paul Cheeseright** looks at the latest twist in the row over plans to renovate a London landmark

PLANS for the £150m modernisation of the Royal Opera House, London, home of the national opera and ballet companies, have been thrown back into the melting pot. Planning consent for the modernisation is unlikely to be granted by Westminster City Council until the autumn at the earliest.

The Royal Opera House has asked the council to defer any further consideration of its detailed planning application in order that drawings of what the Royal Opera House sees as modifications to its existing plan are drawn up. These drawings will not be ready until June.

The modifications are designed to improve the plans for an uplift to the technical facilities at the opera house. If the city council sees them simply as modifications then it could grant detailed planning consent by the autumn.

On the other hand, the council may see them as a radical departure from the plan which was given outline planning consent in 1987.

In that case, the Royal Opera House will have to submit a totally new planning application.

The general scheme relies on the building of offices on land adjacent to the opera house to offset most of the costs of the modernisation programme.

The council accepted the argument that, financially, this was the only way for the Royal Opera House to proceed and in 1987 it overrode planning constraints for Covent Garden, the district dominated by the opera house.

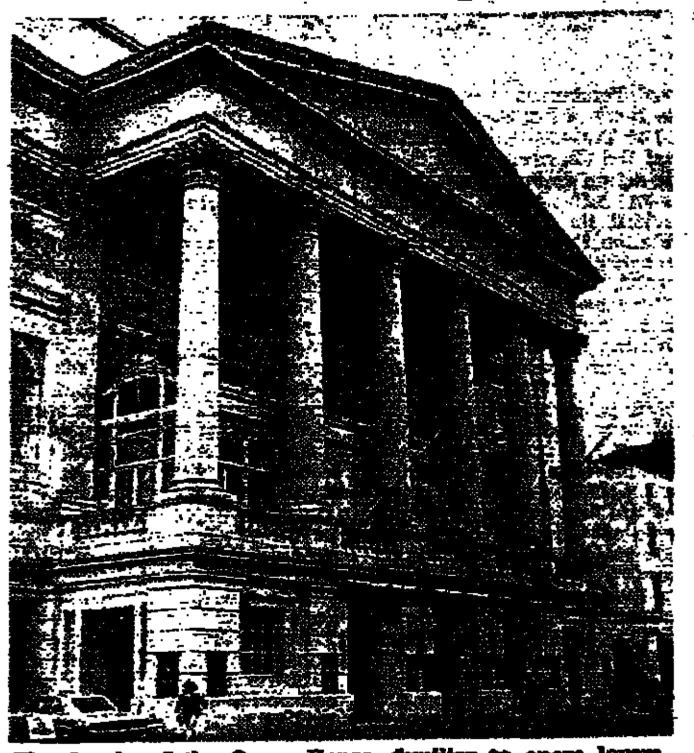
Earlier this year, extensive reports that the Royal Opera House wanted a different scheme, and disclosures from its own documents that the modernisation plan was inadequate on theatrical grounds intensified the row over an already controversial project.

Today, the Royal Opera House will make a further effort to wipe out the effects of the latest row by making a presentation of the scheme to the council's planning committee, with the modifications set out in a general form.

The delay now sought by the Royal Opera House is likely to heighten argument about the scheme rather than allay it.

It will give those with reservations about the method of modernisation more time to marshall their arguments, and more time to put pressure on the Royal Opera House to take their views into account. The council is stuck somewhere in the middle.

Opponents of the Royal Opera House scheme do not object to modernisation and the improvement of what are acknowledged to be antiquated facilities. They do object to the way it is being done. For example:



The facade of the Opera House, familiar to opera lovers around the world, will remain unchanged

- The national Labour Party wants state money involved so the Royal Opera House does not become a property developer. It also says there should be a public planning inquiry into the modifications.
- The local Labour Party, with an eye on its hopes of winning council control in May 1990, will raise the whole question at a special council debate on April 18. It wants a roundtable conference of all the interested parties, so a modernisation plan can be devised which respects local planning constraints.
- The Theatres Trust, responsible for the care of national theatres, believes that the Royal Opera House's plans do not provide adequate technical facilities for the future.
- The Royal Fine Arts Commission is worried about the effect of the planned development on streets around the opera house and is especially concerned about the council's demands for a car park.
- The Covent Garden Community Association wants a modernisation plan which leaves listed buildings intact and does not provide for the construction of major office building.
- An informal group, activated by Mr Dennis Vaughan, the conductor, wants opera house modernisation to take place within an overall plan for a London performing arts centre financed either by a national lottery or private patronage.

While delay in consideration of the planning application suits all these groups, delay will become serious after the autumn for the Royal Opera House, if the original plan of closing for three years on July 24 1993 is to remain intact.

First, the company needs to know what it will be doing after that and where it will be doing it. Opera stars are now being booked for five years ahead.

If present plans are excessively delayed, then that would change the way in which the opera company conducts its business.

Second, there is a financial question. The Royal Opera House has been funding the development plan from borrowed money it obtained on the security of buildings it owns.

Internal documents show that a building purchased near the opera house, with government funds of £2.4m, provided security for an extension of the overdraft held by the company's development arm to £3.9m.

This temporary financing has been set up on the assumption that, after planning permission is received, a full-scale financial package for the development can be put in place, paying off the overdraft. There is thus a drain on the Royal Opera House's finances until that permission is received.

# Cash likely to resist challenge of cards for at least 50 years

By David Barchard

COINS and banknotes are likely to be around for at least another half century in the world's developed economies, according to a report on the future of payment methods published by Financial Times Business Information this week.

However the report, written by Mr Peter Harrop, a specialist consultant on payment methods, predicts that prepayment cards designed for general use will appear in Japan in the next five years. These will pose the first direct challenge to cash. Mass produced combined prepayment and credit cards will emerge within 10 years.

Paper-based payment methods will gradually fade away. "Most equipment manufacturers and retailers seem to be working on the assumption that cheques will not be around for long," writes Mr Harrop.

However, the number of coins per head of the population will continue to rise for some decades, partly because vending machines will become steadily more sophisticated and partly because governments and consumers will be reluctant to part with coins, even when their value has been eroded by inflation.

Mr Harrop says that it will take 20 years before debit cards become as widespread as credit cards are today, despite pressures from banks upon customers to use them.

He believes that EFTPOS – payment by electronic funds transfer at point of sale using a plastic card – is unlikely to provide an easy success for banks, building societies, or retailers, and that some firms may face large financial write-offs as a result.

However, Mr Harrop also predicts a wide range of innovations in payment systems. A list of 26 possible developments includes reusable prepayment cards which display the credit balance left; a second and improved generation of magnetic stripe on payment cards which resist damage; wristwatch payment systems using radio transmission, and low-cost electronic terminals for small shopkeepers.

*The future of payment media by Peter Harrop; FT Business Information, 50-64 Broadway, London SW1H 0DE. £195 UK $325 overseas.*

# Enterprise zone opens in Wearside

By Ian Hamilton Fazey, Northern Correspondent

BRITAIN'S 27th and last enterprise zone was approved yesterday on 150 acres of land on several sites in Sunderland, north-east England.

The zone is a special measure and part of the £45m package announced earlier this year to soften the blow of the closure of Wearside's shipbuilding industry.

The Government has already indicated that no further enterprise zones – which are disliked by the European Commission on the grounds of unfair competition – will be announced. The zones offer 10 years' freedom from business rates (property taxes) and reduced planning constraints on developers.

Part of the zone is near the Nissan car factory at Washington and is expected to house component manufacturers for Nissan's expansion.

The Tyne and Wear Development Corporation's riverside land will also be part of the zone, much of which is close to the main A19 trunk road and thus able to offer fast links to the UK's motorway network.

Mr Alastair Balls, the corporation's chief executive, said yesterday: "The zone will enable us to offer probably the best grants package available in Britain."

# Newsprint price rise plans falter

By Maggie Urry

NEWSPRINT producers are having difficulty in pushing through a 4.7 per cent price increase in the UK, due from March 1. Some fear this could be the beginning of pressure on newsprint producers' margins after a period of strong growth.

The price rise, of £20 a tonne to £445 a tonne for the benchmark weight newsprint, was announced by several suppliers at the new year.

Some suppliers say they have had to postpone the rise until June 1, however, with the biggest, and therefore most powerful, newsprint buyers refusing to pay the increase.

Demand for newsprint has been rising sharply in the UK as new titles have been launched and the size of existing papers increased.

Producers feel they have good justification for the price rise, the first in 15 months, based on rising costs.

But pressure could come on newsprint producers' margins from two directions. New capacity is coming on stream over the next few years, which should ease the supply shortages. Increasing tonnages also seem likely to arrive in Europe from North America, where the newsprint market has softened.

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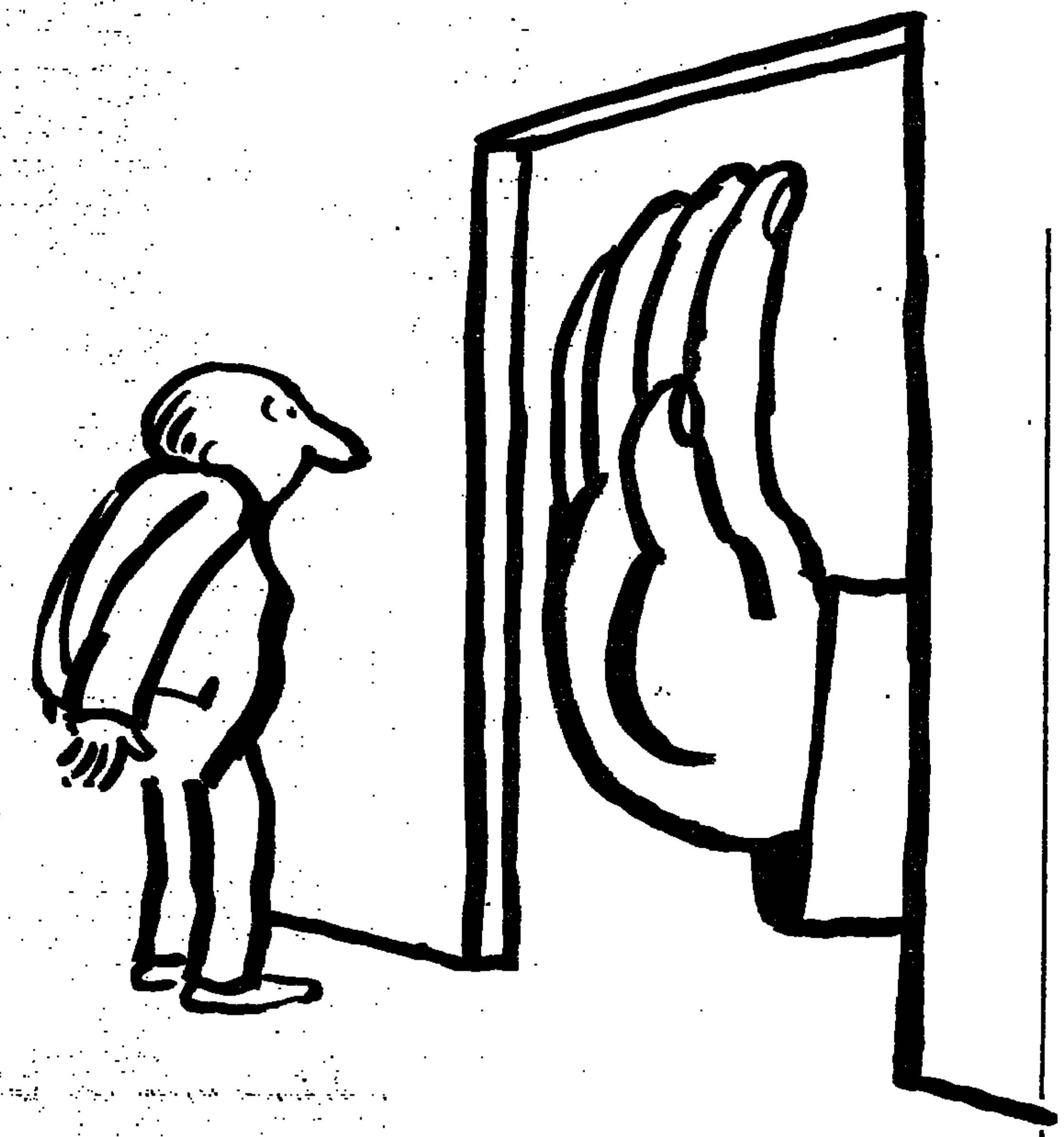

In 1992, the individual markets of the European Community will merge to form a single market: a market that promises to become the richest, most influential, and most productive industrial community on earth, with almost as many consumers as the United States and Japan combined.

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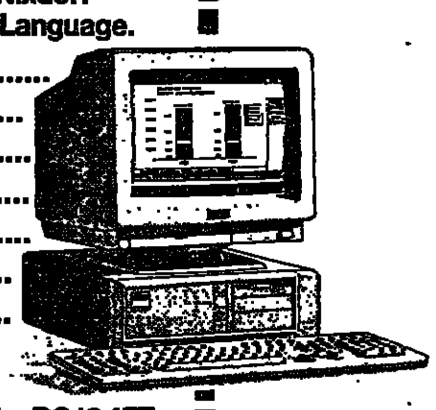

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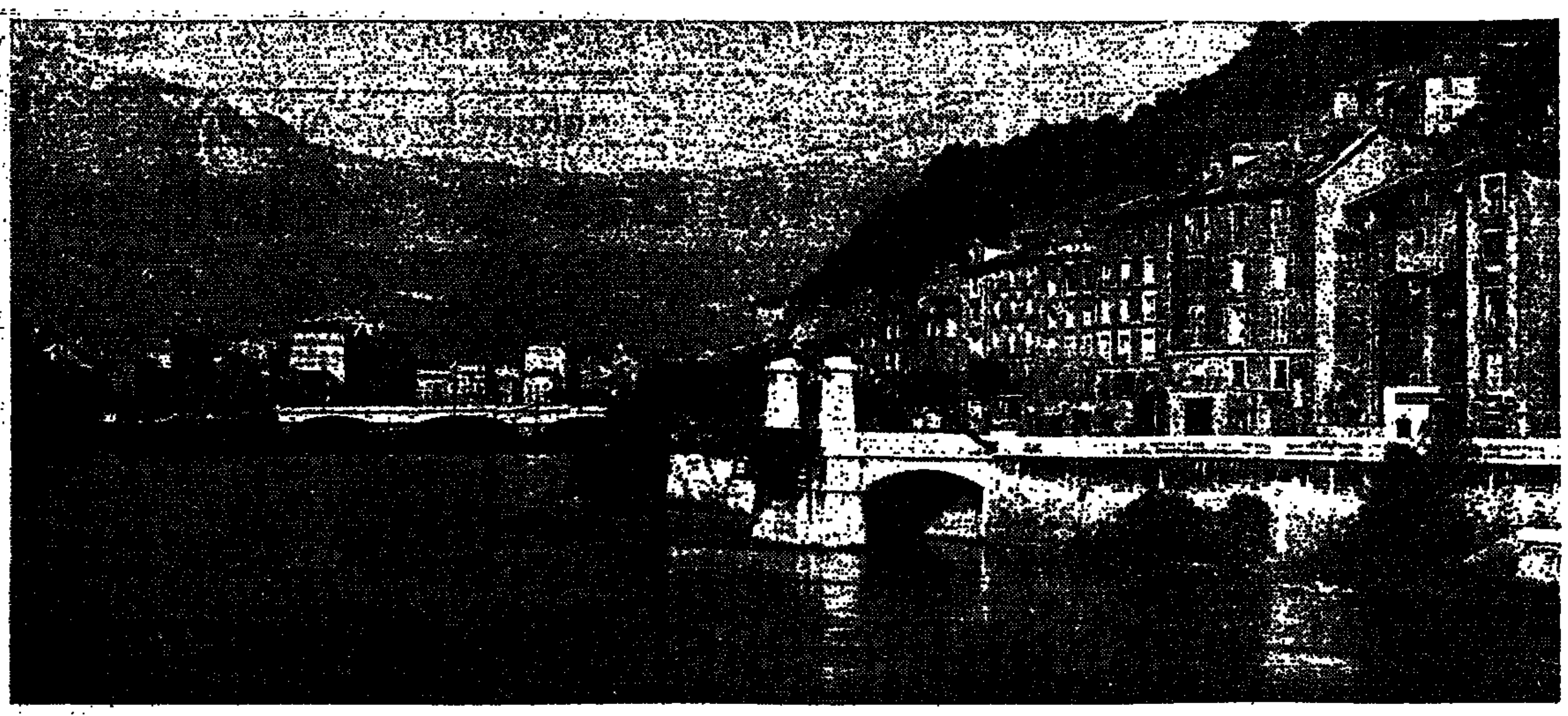
FINANCIAL TIMES SURVEY

The Rhone Alpes has been swept by a wave of change eloquently reflected in recent municipal elections which ushered in a new generation of youthful right-wing politicians. As **Paul Betts** reports, this may have significant knock-on effects throughout the country

# A new twist in French politics

# Rhone Alpes



## CONTENTS

**Riverside view of Grenoble, the region's high-tech capital**

THE RHONE Alpes is turning into a test case of decentralisation in France. "We are becoming a political laboratory for the country," said Mr Charles Millon, the new president of the Rhone-Alpes regional council, with a mixture of excitement and apprehension. "It is an irreversible biological phenomenon," added Mr Alain Merieux, vice president of the council and head of the Institut Merieux, one of France's leading pharmaceutical groups.

Since last month's French municipal elections, the national spotlight has focused on this large and diverse region spreading from the vineyards of the Rhone to the peaks of the Alps, with 5m inhabitants and accounting for about 10 per cent of France's gross domestic product.

The region also boasts major industrial groups, such as Renault Vehicules Industriels (RVI), the truck subsidiary of the French Renault state-owned car group and Rhone-Poulenc, the state-controlled chemicals group.

And as a major transport hub, it is well placed to exploit its enviable geographical advantages – it is literally at the centre of Europe. Geneva is on its doorstep and it is close to Milan and Turin. It is within easy reach of Bad Wuerttemberg and, on the other side, of Catalonia, two regions it sees as natural partners in the emerging regionalisation of Europe with the advent of the single market in 1992.

Perhaps more than any other region of France, the Rhone Alpes has been swept by a wave of political change and renewal eloquently reflected in the March election results.

In Lyons, the regional capital and the country's second most important city after Paris, the old conservative political establishment was trounced by a new generation of youthful right-wing political leaders led by Mr Michel Noir, the former French trade minister who had unsuccessfully ran for the Lyons town hall in 1983.

Elsewhere in the region, other representatives of this new generation of right-wing politicians consolidated their local power bases. In Grenoble, the region's high-tech capital, Mr Alain Carignon, the 40-year-old Gaullist mayor, was easily re-elected in a city which has traditionally had left-wing leanings.

Although the Socialists were the principal winners of the elections at a national level, they made few inroads in the Rhone Alpes. "We did not suffer the mini pink wave like other parts of the country because there has already been for some time a renewal of the centre-right opposition in this region," Mr Millon said.

Indeed, Mr Millon, the former presidential election campaign manager of Mr Raymond Barre, the ex right-wing prime minister and a member of parliament for Lyon, also considers himself part of the new generation of *renovateurs* or reformist members of the French right-wing opposition. Apart from Mr Carignon at Grenoble, the other main regional representatives of this growing group of right-wing *renovateurs* include Mr Michel Barnier, the president of the regional council of Savoy, Mr Noir, the new mayor of Lyon, and Mr Bernard Bosson, the centrist mayor of Annecy.

The election results in the Rhone Alpes are now expected to strengthen the voice and influence of this new generation within the Parisian hierarchies of the traditional parties of the right, the Gaullist RPR and the centrist UDF coalition. "Even though many of us belong to different currents either in the UDF or the RPR, we have a common vision.

These elections have demonstrated that at a local level at least you can no longer distinguish between the UDF or the RPR but between the *ancien regime* and the modern generation or *renovateurs*," explained Mr Millon, who has now suggested that this new generation join forces by forming a common list for the European elections this summer.

Moreover, the elections have clearly shown a growing disenchantment on the part of the electorate at large towards the conventional political parties. "Voters are essentially concerned by local issues and problems which directly affect their day to day lives: education, urban conditions, employment. They voted in a calm and dispassionate way for candidates who adopted a modern, open, tolerant approach to the problems facing French society today, and not for the old political party establishments," Mr Millon said.

"This is a very important lesson for it means that the political parties must now evolve and decentralise themselves," he added.

Mr Millon, like the other new generation right-wing leaders in the Rhone Alpes, is now investing heavily on his local power base. In part, this reflects the political decentralisation that has slowly been taking place in France which has considerably reinforced during the past few years the powers of local and regional councils. But most regional leaders admit that France still remains a highly centralised country. "You don't replace the old Jacobin centralist tradition overnight in France," Mr Merieux remarked.

However, like many other leading politicians and businessmen in the Rhone Alpes, Mr Merieux believes that decentralisation is "an irreversible phenomenon".

Mr Merieux, who joined the regional council three years ago, said the recent elections could perhaps mark the beginning of a "huge cultural revolution" in France. "We will perhaps now finally see a real decentralisation in France. This is a major event for a centralised country like ours."

But Mr Merieux, a member of a distinguished Lyons industrial dynasty, argues that the driving force behind decentralisation in France has come not so much from politics but from economic evolutions. "The world is changing very quickly and it is becoming very complex and global. And I think that regions like enterprises must be able to return to a size which is both large and small enough to become competitive."

Although the Rhone Alpes as a recently established administrative region has no historical identity as such, it constitutes an unusually rich and varied territory as big as Switzerland and larger than Belgium.

Better off than the majority of the country with an unemployment rate 1 to 2 per cent lower than the national average, the Rhone Alpes has a strong and vibrant industrial base of both large groups and small and medium sized enterprises.

It is one of the leading research and technology centres of the country and has successfully forged close links between its universities, grandes ecoles and research laboratories and local industry. Its older traditional industries have suffered like all the others in the country, but have also shown a capacity to restructure and renew themselves.

Renault Vehicules Industriels (RVI), with the bulk of its domestic operations in the Rhone Alpes, was on the brink of bankruptcy several years ago. A few months ago, it reported record profits of FFr 1.2bn for 1988. Rhone-Poulenc, another famous local industrial name, has also recovered and is now posting strong profits and expanding internationally. It has also decided to bring back to Lyons the headquarters of its agrichemical operations reversing the trend of large local companies moving out of the region to establish their main bases in the Paris area.

Elsewhere in the region, new companies have grown during the past few years into international leaders in their field like, for example, the Cap Gemini computer software group in Grenoble. Even in the depressed old industrial heartland of Saint Etienne, there are signs of economic and industrial renewal these days.

These industries are now clearly anxious to develop their international and European operations to take advantage of the EC single market. The region, with its developed transport infrastructure, sees itself playing an important role in the unified European market.

"European integration may be the result of a political agreement between nations. But this agreement can only become stable and viable if it is backed up by strong economic ties between the regions which make up Europe," Mr Million explained.

Substantial road, rail and airport infrastructure investments have increasingly turned the Rhone Alpes into a major European transport centre. And Paris today is only a brisk two hour journey away by TGV – the new generation French high speed train or "train a grande vitesse" (TGV) which has revolutionised rail transport in France.

Some people still have mixed feelings about the TGV in the region. "By cutting the journey to barely two hours, it has brought Paris closer than ever to Lyons. This could clearly encourage an even bigger degree of centralisation on Paris since you can now virtually commute on a daily basis from Lyons to the capital," one local banker remarked.

But the TGV has also started to break down the notion of regional boundaries in France. "Today Lyons, Grenoble, Geneva is all the same thing. In the US when you do business there you tend to think of Maryland and Massachusetts as a single entity rather than as two separate regions," Mr Merieux said.

However, decentralisation remains a slow and difficult process in France, even in a region like the Rhone Alpes. "Even though people talk a lot about decentralisation in Paris, the capital remains all powerful," remarked a regional official. The key decision centres are in the capital and few major initiatives are taken without the prior blessing of Paris.

Yet there is now increasing evidence of what the French like to call a "*nouveau souffle*", a new boost for decentralisation and regionalism in France.

"We must be able to take up the future challenges ourselves especially in developing our own internationalisation and technological renewal," said Mr Merieux, whose regional international trade budget has tripled during the past three years.

"We must help our local small and medium sized industries promote themselves abroad. We are establishing regional trade offices in various parts of the world. We must now learn to live in a competitive global environment which has replaced the cosy former French system of protected domestic and colonial markets," argued Mr Merieux, who spends his time

Continued on Page 4

## RHONE ALPES 2

### Paul Betts on a nervous regional financial capital

# Pioneer in the provinces

THERE IS a friendly laid-back atmosphere in the trading floor of the cathedral-like Palais de la Bourse of Lyons. On any day, a few dozen brokers and traders stand chatting around the three trading pits of the Lyons stock exchange as prices are systematically chalked on the old black boards.

But although there is no obvious sense of frenzy, local brokers like the other representatives of the city's financial community are currently nervous about the future. The start of continuous electronic trading this year has provided a new challenge for the Lyons stock market, the largest provincial financial exchange in France after Paris.

During the past six years, Lyons has made a major effort to transform itself into a leading financial centre specialised in the small and medium-sized business sector. It pioneered in France the concept of the second market, the French equivalent of London's unlisted securities market. Launched in 1983, the Lyons second market was in its initial years a resounding success story. But then the October 1987 crash came, hitting this market and shaking the confidence of small investors and entrepreneurs planning to place their small and medium-sized enterprises on this new market.

"We are a bit like a floating island, you know one of those puddings made with whipped egg whites: a lot of froth but relatively little substance," a local banker remarked. "When you look at the statistics, you quickly see that the Lyons stock market represents barely 2 or 3 per cent of the business done in Paris. It is difficult to build a major market with this kind of volume of activity," he added.

The October 1987 crash has not helped matters, even though activity in Lyons has since recovered. The main stock market index rose by 35 per cent last year after falling by 35.3 per cent the year before. The local stock market's capitalisation also rose by 22 per cent last year to reach FFr 92.9bn. But only seven new introductions were made on the second market last year after the flurry of flotations before the crash, raising to 56 the number of companies listed on the second market since its launch six years ago.

"The arrival of electronic trading has also made the future all the more uncertain," says Mr Hubert Brac de la Perriere, a local stockbroker. "But we could not afford not to take the risk of going electronic. The danger is that electronic trading will centralise business even more on Paris."

So far, continuous trading appears to have stimulated volume in Lyons. However, it is also clear that it will make the old bourse increasingly anachronistic. "The bourse is clearly facing a crisis with the automation and globalisation of the markets, but that does not mean that Lyon cannot develop specific financial niches," added Mr Dominique Nouvellet, the chairman of Siparex, the leading Lyons-based development capital fund.

Faced with this new challenge, Lyons is now trying to capitalise on its local economic and geographical assets.

"We do think that Lyons can play a role as a financial centre in the new regional markets emerging in Europe," argued Mr Joel Icard, joint managing director of the Caisse Regionale du Credit Agricole du Sud-Est, the large agricultural bank which has just invested in an impressive new high technology headquarter building in the leafy suburbs of Lyons.

Mr Icard like many other leading local bankers believes that Lyons must continue to specialise as a financial market for small and medium-sized enterprises. "We have an extraordinarily rich and varied pool of small enterprises in this region and Lyons is well placed to service their financial needs and their growth," explained Mr Vincent de Roux, the regional head of the Banque Nationale de Paris (BNP).

Mr Patrick Bertrand, the local head of the Credit Lyonnais, also believes Lyons could develop a new financial niche in European Currency Unit (Ecu) bond issues. He said the Rhone Alpes region had already issued two years ago an Ecu 50m loan quoted in Lyon and Luxembourg. The Credit Lyonnais has also decentralised to Lyons from Paris a large portion of its domestic bond business and continues to be the main issuer on the local bond market.

Another large local bank, the Lyonnaise de Banque, has also forged several alliances with banking groups in Italy, Switzerland, Spain and even in North Africa.

"This region extends from Milan and Lombardy in the east, through the French-speaking part of Switzerland, to south-east France and down to Barcelona and Catalonia," explained Mr Henri Moulard, the chairman of the Lyonnaise de Banque. "There is every reason to develop close synergies with this European region with the aim, in the long run, of counterbalancing and even competing with the London-Paris-Brussels-Luxembourg-Frankfurt axis, if not in the financial field, at least as regards industry and services," he added.

The new headquarters of Credit Agricole du Sud-Est

As part of this policy of expanding in the so-called "Garlic Belt" Lyonnaise de Banque has taken over an old established private bank in Geneva called Banque Pasche, which has entered into a partnership with the Monte dei Paschi of Sienna and is also investing in Spain.

But Lyons continues to pin its biggest hopes on the local small and medium-sized business sector. However, Mr Nouvellet of Siparex, one of the main actors in promoting the local second market, says that the Lyons-based financial houses must also adopt a more national and international approach.

"We started with the local market but our enterprises are now developing internationally and we must therefore follow them abroad," he explained. Siparex has thus extended its web of international contacts in recent months and now 30 per cent of its capital is held by foreign investors. Moreover, Mr Nouvellet sees an important market emerging for mergers and acquisitions in the small company sector, particularly with the development of the single market in Europe."

"We must continue backing the local small company sector. We have succeeded here in launching the second market and it would be a great shame to see all these small companies submerged in the computer of the continuous market," said Mr Louis Thannberger, one of the most flamboyant figures of the Lyons financial market.

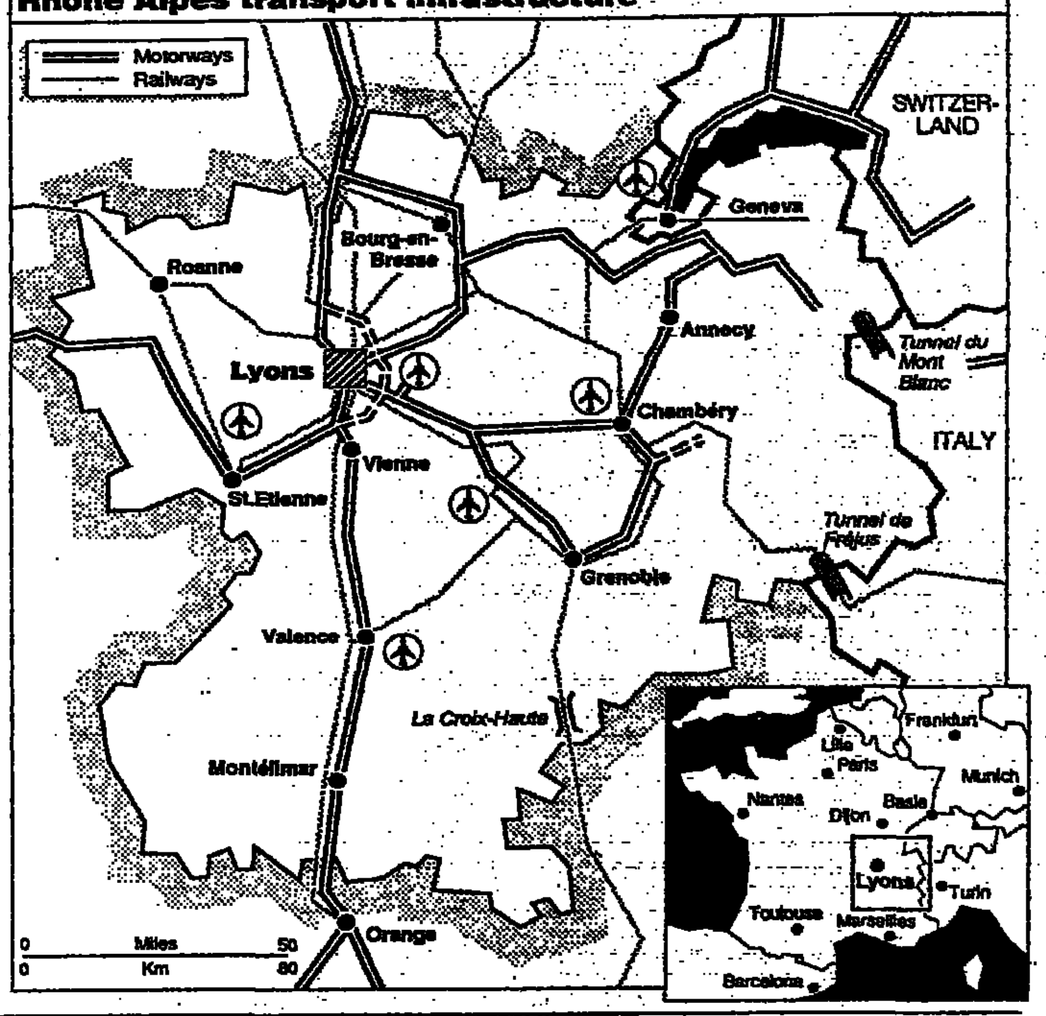
Mr Thannberger, nicknamed "the guru of the Lyons bourse", was one of the principal architects of the successful launch of the Lyons second market in 1983. He holds the record in France for introductions on the second market having floated 25 of the companies listed on the Lyons second market.

Mr Thannberger, however, was badly shaken by the October 1987 crash. But he has since staged a comeback with his new financial group Lyon Finance et Industrie. He argues that smaller companies have everything to gain from the expertise of local financial specialists.

"We can help these companies grow and we can also attract foreign capital here without going through Paris," he said. His dream would be to introduce Mr Paul Bocuse, the gastronomic king of Lyons, on the second market. It would be a wonderful coup and turn the international spotlights again on the Lyons second market, he said.

But perhaps the best example of the role Lyons can play as a specialised financial centre for small and medium-sized enterprises is CEGIP, a local software services company started by a young entrepreneur called Mr Jean-Michel Aulas. CEGIP, listed on the second market, has turned in a glittering performance reporting net profits of FFr 55m on sales of only FFr 330m last year. "My company would never have been able to develop as quickly in Paris as in Lyons," Mr Aulas recently remarked.

## Rhone Alpes transport infrastructure



### LYONS

# Ancien régime adieu

*LYONS IS* celebrating this year's bicentennial of the French Revolution with its own cultural revolution. This large, affluent and venerable mercantile city at the confluence of the rivers Rhone and Saone has been swept by a wind of change during the past few months with a new generation of political and business leaders taking charge of what once was the old capital of ancient Gaul.

The most spectacular symbol of change was the landslide victory of Mr Michel Noir in the March municipal elections. Aged 44, the tall former Gaullist trade minister has become mayor of France's second most important city bringing to an end the ancien régime which ruled the city since the beginning of the century.

Mr Noir's main rival was the 78-year-old outgoing centrist UDF mayor, Mr Francisque Collomb, who was planning to run for a third six-year term. Before Mr Collomb, Lyon had only two other mayors this century: Mr Edouard Herriot, who died after 52 years in office in his 90s, and Mr Louis Pradel, who ran the city from 1958 to 1976.

"Youth is no longer a handicap in Lyon," said Mr Bruno Vincent, the new president of the city's powerful chamber of commerce. Mr Vincent is also a product of the new generation. He is only 45 and his nomination raised a few eyebrows among the city's veteran business and political establishment. And the regional council of the Rhone Alpes now also has a young president following the election of Mr Charles Millon, the centrist politician who last year ran the presidential campaign of Mr Raymond Barre, the former right-wing prime minister. Mr Millon is only 43.

Until recently, Lyons gave the impression of a wealthy, self-satisfied, closed community. "It has always suffered from a big chip towards Paris. But it has also always had a feeling of superiority over the capital," remarked a long time resident.

With its 1.2m inhabitants, its strong financial community, a diversified industrial structure which has successfully renewed itself during the past decades, its legendary gastronomy and its thriving cultural life, Lyons has little to envy Paris which is now only two hours away by high speed TGV trains. The city's international airport of Satolas, like its road, motorway and rail connections is also turning Lyons into a major transport hub.

The traditional big industrial groups of the region are now solidly back in profit. Renault's truck subsidiary, whose activities are centred in the Lyons region, has just reported bumper earnings of FFr 1.2bn for 1988. Rhone Poulenc, the nationalised chemicals group, has relocated its international agrochemical operations in the area and is in full expansion again.

Bruno Vincent

Charles Millon

Another sign of economic renewal is the fact that the area now accounts for 20 per cent of the country's electronic software industry, while the the region as a whole accounts for about 10 per cent of France's gross domestic product. Unemployment in Lyons is about two per cent below the national average.

Moreover the city boasts its share of *grandes ecoles* and research institutes, and Interpol, the international police organisation, has moved its headquarters from Paris to Lyons.

"But Lyons has lacked two things: ambition and communications," says Mr Vincent. "Of course people are ambitious here in their business and commercial dealings. But Lyons has never had a real political ambition. It has also been bad at selling itself and promoting its image and its considerable assets," he added.

However, Mr Vincent explained that local public opinion was now putting increasing pressure on the city's and region's decision makers to transform the image of Lyons.

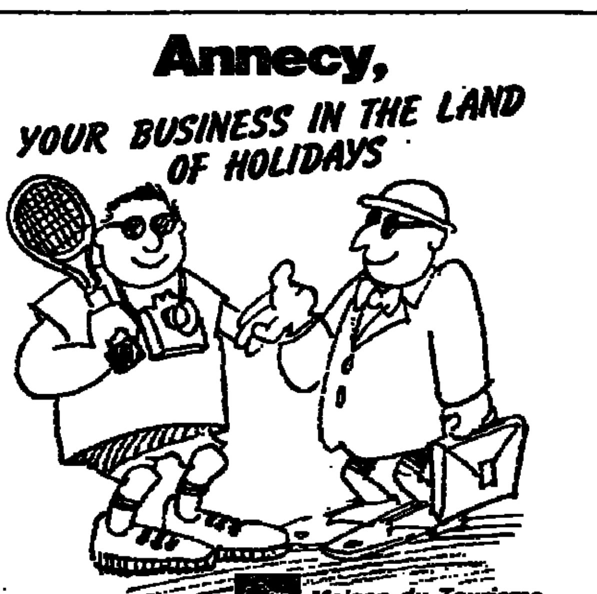
The resounding electoral success of Mr Noir eloquently reflects this quest for renewal and change. Mr Noir has already expressed the ambition to reinforce the broad European role Lyons can play at a time when regional policy is becoming increasingly important and is likely to be further stimulated by the single European market.

The city's economic renewal also coincides with a major cultural and architectural revival in Lyons. Apart from the restoration of the beautiful Renaissance quarter of the old city centre, which was threatened with demolition some years ago, Lyons has now established itself as a home of international ballet and classical music.

"Although I am also a product of the discreet, hard-working, individualistic tradition of Lyons, things are really beginning to change in the city and its attitudes. Lyons is now adopting a more pragmatic, direct and open approach than in the past," Mr Vincent said over a breakfast of croissants and coffee served on the imposing conference table in his large office.

The fact that Mr Vincent prefers to entertain in his own office is another sign of changing times. "In Lyons, business has traditionally been done over abundant lunches in one of our many succulent gastronomic establishments. After all, Lyons is still one of the best places to eat in France. But I prefer to hold business lunches in my office. In Lyons, the traditional "stomach of France", this is truly revolutionary language.

**Paul Betts**



## RHONE ALPES 3

The authorities plan to promote Grenoble as a leading Eurocity

# In the fast lane to 1992

GRENOBLE has always been a step ahead of the rest of France. "Even the French Revolution started a year earlier here," Mr Joel de Leiris, a university professor, remarked.

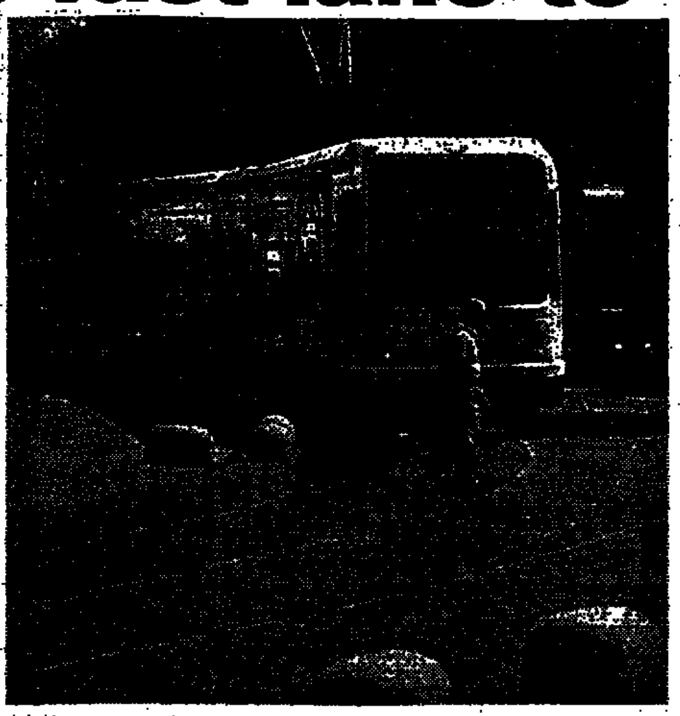
Mr de Leiris is a typical product of Grenoble. Like 80 per cent of the city's residents, he comes from another part of the country but was attracted several years ago by what has become, by any standards, one of the most vibrant, intellectual and cosmopolitan cities of France.

Mr de Leiris is also a town councillor who was easily re-elected together with the youthful Gaullist mayor of the city, Mr Alain Carignon, in the first round of the French municipal elections in March. He had been in charge of the mayor's successful re-election campaign and he has now settled down with the rest of Mr Carignon's municipal team drawn from a wide political spectrum embracing not only members of the Gaullist RPR party but local Socialists, independents and other representatives of the city's cultural, social and academic establishment.

Grenoble, like the department of the Isere, has traditionally had left-wing leanings. But that has not stopped the city being run by one of the representatives of the new Gaullist generation since 1983.

"The fact is that our team has adopted a far more open approach than our conservative friends of the left," quipped Mr de Leiris. Mr Carignon, just turned 40, added: "This is a city which wants political consensus. It is a modern open community and expects more than any other French city a modern and novel approach to its political administration. There are few romantics in Grenoble.

Grenoble has always been a cosmopolitan city. Already in the 14th century, its mediaeval university gave it an international dimension. Much later, with the development of hydro-electric power in the region, industry started to flourish and soon outgrew the city itself. At the beginning of this century, Grenoble decided to link its strong academic tradition with its new industrial activities. "It is quite remarkable to think that the municipality funded a course in industrial electricity at the university back in 1902," Mr de Leiris said.



Well before anywhere else in France, Grenoble saw the huge potential of integrating university research with industry. After the Second World War, this process was accelerated. Grenoble soon became the second most important scientific centre in the country after Paris.

The Centre National de Recerche Scientifique (CNRS), the leading French state research agency, set up in 1946 its first major laboratory outside Paris in Grenoble. Ten years later, Grenoble was chosen by the nuclear energy commission as the site of a major nuclear research centre. In 1966, it was the turn of a Franco-German scientific laboratory to chose Grenoble, and again ten years later the French state telecommunications authority established a major research centre in the fast expanding city.

More recently, in 1986, it was the turn of the European Community to pick Grenoble as the site of its FFr 2bn Synchrotrom radiation facility.

"Thus every 10 years, Grenoble's scientific reputation has received a major new boost with the arrival of a new laboratory. The Synchrotrom alone will mean 450 additional permanent researchers and scientists from all over Europe in

**Grenoble's novel urban tramway and (below) the city's youthful Gaullist mayor, Alain Carignon**

Grenoble and another 2000 visiting the new project due to start operations in 1993," Mr de Leiris explained.

The close links the city established between its research community and its industry also encouraged it to pioneer the concept of science parks in France. Well before other French cities, Grenoble established what the French call a "technopole", where high technology companies and research centres are grouped together in a campus of greenery connected with the city's other academic and industrial establishments. With the ugly name of Zirst, short for "Zone pour l'innovation et les realisations scientifiques et techniques", the Grenoble technopark has created to date more than 3000 jobs.

But it would be misleading to think that Grenoble is essentially today a "high-tech" city. "One of the strengths of this city is that it has no dominant industry," explains Mr Carignon.

Indeed, Grenoble has a great variety of industries. The city has long been one of the best French examples of what economists refer to as "the multiplier effect" whereby investment attracts more investments. Many major international companies have established a significant presence in Grenoble alongside large and small French companies. The city has also produced a number of famous French industrial success stories like the Merlin-Gerin engineering group.

The city has also long been regarded as a "laboratory" of city planning and development in France. This reputation was largely due to the late Mr Hubert Dubedout, the city's visionary Socialist mayor who ran the town hall for 18 years until his surprise defeat by Mr Carignon in 1983.

Again, in characteristic Grenoblois fashion, Mr Dubedout was not a politician but a nuclear scientist who decided to run the town hall with the support of some of his friends in the Grenoble scientific community. He turned Grenoble into a window of Socialist city planning, but while his critics acknowledge the considerable contribution he made in the city's development they also claim that not all his urban experiments were successful.

"In a laboratory, you can have good experiments and bad ones," said Mr de Leiris. "By the end of his third mandate, Grenoble had become the city in France with the highest local tax rate," he added. And Mr Carignon defeated in the 1983 municipal elections the Socialist mayor, who died a few years later, by campaigning to cut local taxes.

Grenoble has also had a knack of seizing major opportunities to accelerate its development. Perhaps its biggest opportunity came when it was chosen to organise the 1968 winter Olympics. This led to an explosion of urban development. "We did in two years what would have normally taken 20 years to achieve," remarked a local city official.

Mr Carignon has pursued Grenoble's innovative city planning tradition. The city recently inaugurated a novel new urban tramway system to help resolve its growing traffic problems.

The young mayor has also continued to put the emphasis

**Grenoble has long been regarded as a 'laboratory' of city planning and development**

on further internationalising Grenoble. He wants the city to become a leading "Eurocity" in the Europe of 1992. To this end, he has established a special office called Horizon 1992 designed to answer all the questions the citizens of Grenoble may have about the single market and European integration.

The Conseil pour la Valorisation de l'Economie Grenobloise (Coveg) has also just published a guide in several languages to make French red tape more comprehensible to visitors and foreign residents.

"It was an obvious idea but no one else in France had so far published such a guide," said Mr Jean-Pierre Goy, the driving force behind the guide. A native from Toulouse, Mr Goy, like so many other "immigrants", now regards himself as a Grenoblois. The city is now also developing a FFr 250m "Europole", a new business centre near the railway station now served by high speed trains from Paris to attract more enterprises and international businesses to the area.

"But if you want to attract people from all over the world, you must also enhance the quality of life of the city by developing its social and cultural environment," Mr Goy added.

Grenoble has thus invested heavily in improving the cultural and social facilities of the city to meet the needs of its young and outward looking population. "You know, people here are not as stuffy or formal as in some other big provincial cities. You will often find someone arriving in the office straight from the nearby ski slopes still wearing his anorak, the well-tanned Mr Goy said.

"Never forget the basic statistics of Grenoble," he added. "This city has 400,000 inhabitants, 36,000 students of which 5,500 are foreign, and 8,000 scientists and researchers. This, in a nutshell, explains the special character of Grenoble."

**Paul Betts**

Paul Betts on St Etienne's efforts to reverse a costly decline

# City with an ugly industrial past rebuilds for the future

NOWHERE IN France are the scars of industrial decline and reconversion more visible than in Saint Etienne. Once the industrial heart of the country, this proud city of 320,000 people has suffered this century from a remarkable run of bad luck.

Unlike other old industrial centres savagely and suddenly hit by the collapse of their dominant industry, the industrial crisis of Saint Etienne has dragged over several decades.

The city, which built the first railway in France, has had to cope with a succession of crises which over 30 years has wiped out about 70,000 jobs. The closure of the coal mines was followed by the crisis in the steel industry, the problems of the local textile sector, the decline of the arms business, and the spectacular and traumatic bankruptcies of Manufrance, the diversified bicycle and gun maker, and Creusot-Loire, one of the country's most venerable heavy engineering groups.

"When you look around you still catch all the echoes of Emile Zola," Mr Daniel Goutte remarked looking out of his office towards the last of the big steel mills still working next to the city's stadium: home of the "greens", the famous football club that has made the "black city" known the world round.

But the last steel mill is also about to go and with it more jobs as the state Usinor-Sacilor steel group transfers most of its operations to the steel centre of Fos on the Mediterranean.

Mr Goutte acknowledges that there is a similarity between Saint Etienne and the industrial north of England. "You find the same melancholy atmosphere in these regions with a great industrial past. Like in many parts of England, we have tried during the past few years to resolve the problems of industrial reconversion after the disappearance of the coal mines and Creusot-Loire," he said.

As the director of the city's new centre of factory automation and advanced machine tools, Mr Goutte is now actively involved in the industrial revival of this troubled region. The new centre on the Rue des Acieries, the street of the steel mills, has been built in the middle of the city's old industrial heartland.

Many of the old factories have been pulled down and new sleek buildings have been erected to house what the French call industrial "pepinieres", literally nurseries to help the start-up of new businesses.

"We decided to take advantage of the strong mechanical engineering tradition of this region to try to revitalise the industrial structure of Saint Etienne. We felt we could use this local reservoir of industrial and engineering know-how and combine it with new technologies and electronics to create a new industrial tissue in the region," Mr Goutte explained.

**Saint Etienne has been handicapped by its late start in addressing the city's pressing reconversion problem. The authorities have tackled the issue from its very roots by 'pulling everything down and starting all over again virtually from scratch'**

The emphasis has been placed on promoting the development of new small and medium sized industries in the region. Although Saint Etienne and the surrounding area of the Loire has actively sought to attract larger groups and big new industrial investments to the area, the current regional authorities have adopted a realistic approach to reconversion.

"We started our reconversion later than most because few people in the past either foresaw or understood the extent of the decline of our traditional industries," said Mr Jean Claude Charvin, the vice president for economic affairs and industrial reconversion at the regional council of the Loire. "We decided to focus our attention on small and medium sized industries because we had no other choice."

Apart from its long engineering and industrial tradition, Saint Etienne also has several other important assets which the city is using to promote new industrial development. The city has long been an important academic and research centre with its famous Ecole des Mines and university. It has good transport infrastructures with motorways linking Saint Etienne to Lyons and the international airport of Satolas. Rail services have also been boosted with the arrival of the Train a Grande Vitesse (TGV), France's new generation of high speed trains.

Saint Etienne has also made considerable efforts to improve and upgrade the urban structures of the city. It boasts today one of the finest regional art museums of France and its cultural life is extremely active. Within minutes from the old smokestacks, you are in delightful countryside which has helped attract investors from other parts of France and abroad to the area. As Mr Charvin points out: "You are one and a half hours away from the ski resorts; two hours away from the sea; and three quarters of an hour from the international airport."

But Mr Charvin also admits that Saint Etienne has been handicapped by its late start in addressing the city's pressing reconversion problem. "A city like Grenoble took a big lead by adapting itself to the new changing economic environment 15 or 20 years ago. Reconversion here is very recent. It only really started about five years ago. And we had to take the problem from its very roots by pulling everything down and starting all over again virtually from scratch."

However, this policy has started to pay dividends. Mr Charvin says the number of people searching for jobs is declining from 40,000 two years ago to around 33,000 today. Even the unions have started to realise that it was suicidal to continue to try to fight to save the old industrial dinosaurs of the region.

Some large domestic and international groups have started investing heavily again in the region. They include Michelin, Renault trucks and the US Rockwell group which has returned to this area after taking over a subsidiary of the French Valeo car components group.

Another good example of the revival of the car components and machine tool sector in the region is SCEMM, a machine tools subsidiary of Citroen, which has strongly developed its operations during the past few years, especially on export markets including the UK where it won a contract last year from Austin-Rover.

At Roanne, at the northern end of the department of the Loire, the textile industry is beginning to enjoy a new revival. Roanne, like Saint Etienne, has also set up an industrial automation centre but specialised essentially on machines for the textile sector.

In Saint Etienne, the new industrial automation centre opposite the football stadium and the steel works has also already managed to generate about 1,200 new jobs and promoted the creation of 70 small enterprises, half of which employ less than 10 people.

"It is a modest but encouraging start," said Mr Goutte. As an example of the new entrepreneurial spirit emerging in the area, Mr Goutte cited 50-year-old former Creusot-Loire engineer Mr Pierre Coudurier, who lost his job when the big engineering group filed for bankruptcy a few years ago.

"When he lost his job he decided to try his luck on his own highly original business. With two other partners, he started designing planetariums. He has already sold one to Dunkirk and is working on another one for Saint Etienne," Mr Goutte said.

"Many people when they come these days to the industrial automation centre, which we call in French 'pole productique', are surprised to see how this neighbourhood has changed, even though some of the old Emile Zola buildings are still standing."

Paul Betts examines the ambitious plans for the 1992 Winter Olympics

# Savoy's five-star fare for winter games

MR MICHEL BARNIER has been nicknamed the Duke of Savoy. Not that he has any genealogical claims to the title. But from his room in the imposing castle of the Dukes of Savoy dominating the town of Chambery, the athletic 38-year-old president of the regional council of Savoy has been meticulously plotting what will undoubtedly be the most important event in the history of this beautiful Alpine region since its annexation to France in 1860.

With Mr Jean-Claude Killy, the triple French gold medalist of the 1968 Grenoble Winter Olympics, Mr Barnier has been preparing the next Winter Olympic Games in Savoy. "For us, 1992 will be a crucial year. Not because of the single European market but because of the Olympics. There won't be another event of this magnitude in France this century. Just think of it: 6000 journalists, 800,000 visitors and 2bn television viewers throughout the world," Mr Barnier said.

The young Gaullist president of the Savoy general council decided with Mr Killy to campaign for the games back in 1983. "We are after all the leading winter sports region of France with some of the finest ski slopes in Europe. We felt the games would not only help give a major economic boost to Savoy but to the entire region of the Rhone Alpes and to the winter sports business in general in France. The games will take place in our local mountains but they clearly have a national dimension," he explained.

When Savoy heard in 1986 that it had been selected by the international Olympic committee to host the 1992 games, there was an explosion of popular joy in the mountains and valleys of the region. But this initial euphoria soon died down as the local organisers set about the complex task of preparing for the games. To make matters worse, local rivalries erupted between the different ski resorts in the area all seeking to cash in on the Olympic windfall. Mr Killy, who had proposed regrouping the games on a limited number of sites, resigned throwing the organisers in a complete panic.

"But we have now resolved all these problems," claimed Mr Barnier. After reaching a compromise over the sites, Mr Killy was finally persuaded last year to return as joint chairman with Mr Barnier of the organisation preparing the games. "We work in close tandem. I always felt Jean-Claude had to be involved," he said, explaining that the former French ski champion has given the organisation of the games a crucial international dimension and visibility.

The other big problem has been the financing of the games. In all, more than FFr 7bn will be spent in the region to prepare for the Winter Olympics. The latest budget for the actual games totals FFr 3.35bn of which a quarter involves investments on new winter sports facilities and other equipment. But a further FFr 4bn will also be spent on improving the road infrastructure of the area with tunnels, bridges and a motorway in the valleys of the Tarentaise.

"We would have spent this money on the roads even if the games were not taking place in Savoy. But the games have accelerated this road construction programme. We will be doing in four years what would have probably taken 15 years," Mr Barnier said.

Jean-Claude Killy and Michel Barnier

Road access to the ski resorts of Savoy has long been one of the biggest problems of the area. Every winter, huge bottlenecks form on the winding roads leading to the region's famous ski stations like Courchevel, Meribel, Tignes, or Val d'Isere.

**'There won't be another event of this magnitude in France this century'**

"It is not uncommon to be caught in an eight hour traffic jam," said Mr Henri Piganeau, head of road construction at the Savoy general council. "At present, skiers coming by road often lose one full day coming and another full day leaving because of the logjams."

Although the majority of the new infrastructure investments will be financed by public funds, Mr Barnier says about FFr 2.5 bn will be funded privately by the local olympic organisation through the sale of television rights, sponsorship and other commercial activities. The US television network CBS has already acquired for $243m the US rights for the games. "Our aim is to balance our books at the end of the day," Mr Barnier emphasised.

Moreover, Mr Barnier wants to make sure that the games will leave a lasting economic impact on his region. Apart from enhancing the overall winter sports facilities of the area, Mr Barnier is also anxious to avoid investing in giant new stadiums which risk becoming financial liabilities once the games are over.

"For this reason, we have already planned to convert some of the facilities we are building so that they remain economically viable. Thus the olympic centre which President Francois Mitterrand will inaugurate this summer will be converted into a school after the games. And the 10,000 seat ice stadium being built at Albertville will be converted into a 2500-seat ice-rink after the games with the rest of the building accommodating other sport facilities such as tennis or squash," he explained.

In the same way, Mr Barnier has already launched a programme to build a small science park near the Chambery airport which is being expanded for the games. "We had no activity of this kind in Chambery and we felt it was a good place to site a small science park. We are directly on the road from Grenoble to Geneva and from Lyon to Turin, which is gradually becoming an important high-tech centre and a French equivalent of the famous Route 128 in Massachusetts," he said.

Although difficult to quantify, the games appear to have already had important economic repercussions on Savoy. "Economic activity in Savoy declined by about 2 per cent in 1986 essentially as a result of an 8 per cent drop in construction and public works and a 1.4 per cent fall in tourism," said Mr Piganeau, who also heads a local economic research institute set up by Mr Barnier called the Observatoire economique des jeux olympiques. "But during the past two years, there has been an important pick-up with activity increasing 2 per cent in 1987 and by nearly 2.2 per cent last year."

These figures are encouraging for Savoy and the rest of the French Alps, which had become increasingly concerned by the general slowdown of the domestic winter sports industry. After the heady days of 10 per cent annual growth rates, winter sports in France have now become a mature industry. "For this reason we must improve quality rather than quantity to increase our market share and attract more foreign visitors," Mr Barnier explained. "But the games have now given us all a huge opportunity, and we must make sure we don't miss this big chance."

In Rhone Alpes people take their food and wine very seriously indeed, writes **Paul Betts**

# A region forever 'the stomach of France'

THE SECRETARY in her fifties with big serious glasses was having an animated telephone conversation while I was waiting to see a prominent local businessman. It was impossible not to overhear the conversation.

"We started with a wonderful cold salmon served with a delicious raspberry sauce and a salad of watercress. We then had a succulent piece of beef done in a rich wine sauce with cepes mushrooms. The cheese, dear, was perfect and as for the pudding it was a cold orange souffle flavoured with Grand Marnier," went the conversation. She hardly noticed her boss when he finally came into her office.

In Lyons, and in the Rhone Alpes region as a whole, people have always taken good food very seriously. After all, the region has long been nicknamed "the stomach of France."

One well-known French literary critic has said that if he had been a geography teacher, he would have taught the regional geography in terms of its extensive and varied local gastronomic specialities: Lyons with its dry sausages and "double gras" which is the local term for tripe; Grenoble with its "gratin dauphinois"; Bresse and its world famous chickens; the Dombes with its frogs; the Ardeches with its chestnuts; and Savoy with its hard cheeses.

Wherever you go in the Rhone-Alpes, you are practically guaranteed to eat well and at every price. The region boasts as many as six restaurants with the rare and prestigious Michelin three star rating where a meal can cost anything from FFr 400 to FFr 1,000 a head depending on the courses and wines selected.

Restaurants like Paul Bocuse in Lyons, the Freres Troisgros at Roanne, Alain Chapel at Mionnay, Charlyne Bise at Talloires, Georges Blanc at Vonnas, and Pic at Valence have become monuments of French "haute cuisine". But there are also scores of other excellent establishments some with two stars, others with one star and many with no stars at all but where for a modest sum you can still gorge yourself to heart's content.

"Many people in America don't know where Lyons is on the map, but they all know were you can find Paul Bocuse," remarked a local government official.

"Lyons is famous for things: the Pope's visit; the trial of Klaus Barbie, the Nazi war criminal; and Paul Bocuse," said Mr Louis Thannberger, one of the leading figures of the Lyons bourse. Mr Thannberger is now hoping one day to float Mr Bocuse and his varied gastronomic ventures on Lyons' second market. "I'm sure it would cause a sensation and generate tremendous international interest," he added.

Mr Paul Bocuse is undoubtedly the best known of the great chefs of Lyons. Although his flamboyant and extrovert personality has made him as many critics as admirers these days, even his deepest critics acknowledge that he has played a major contribution in the revival of the international image of French cuisine during the past two decades.

He has become the equivalent of an international ambassador for French gastronomy and "art de vivre". His contribution to the French trade balance is difficult to quantify, but even French trade officials admit that together with the country's other leading chefs, he has helped boost the general image of French products abroad.

"Luxury goods, wine and good food are in their way as important for our trade balance as the sale of Airbus jets or automobiles," a central government official recently commented.

Why has the Rhone Alpes, and especially Lyons, developed such a taste and reputation for good food. One explanation is that it has traditionally been an affluent area with a wealthy "bourgeois" population who have always taken good care of their stomachs.

The old silk merchant dynasties of Lyons all had their cooks; and when the silk business declined and the families broke up, the cooks set up their own restaurants. Many restaurants in Lyons are still called "mere" or in English "mother" something or other after the matrons who run their kitchens.

The other reason is that the Rhone Alpes is an agriculturally rich and varied region. Cooks and chefs have thus always had an easy access to fresh food supplies. Moreover, the region is also famous for its wines.

**Paul Bocuse is the best known of the great chefs of Lyons. He has become an *international ambassador for* French gastronomy and 'art de vivre'; he has helped boost the image of French products abroad**

Indeed, during the past few years, the wines of the Beaujolais have made a major international breakthrough through an aggressive and clever marketing campaign, especially for the now well-established and highly commercial annual ritual of the Beaujolais nouveau. What is particularly remarkable is that barely 25 years ago, many of the wine-growers of the Beaujolais were relatively poor. Only in the recent past have they hit the jackpot.

"One of the reasons you have not so far seen much acquisition and takeover activity despite the rise in prices in this part of France as in other wine regions like Bordeaux, Burgundy or even Provence, is because you mainly find first generation wine growers in this area," explained a local grower. "But I expect there will be a succession of problems one day and changes in ownership. And I would not be surprised to see big French and foreign institutions invest in the Beaujolais as they have *been doing in other wine growing* regions," he added.

Although agriculture accounts for about 7.5 per cent of the region's gross domestic product, there is a wide rift between a number of highly productive and profitable holdings, like those in the Beaujolais, and farms which can barely make ends meet in some of the more difficult mountain areas.

"There are three kinds of agriculture in the region," explained Mr Joel Icard, of the Caisse Regionale du Credit Agricole du Sud-Est. "About one third of the sector is made up of competitive industrial holdings. Another third consists of traditional but profitable farms, while the last third is condemned and can only keep afloat thanks to subsidies."

Mr Icard says that the role of institutions like the Credit Agricole and other regional and national institutions is to help support the farmers in this last category until their retirement.

But once they retire, the problem is to avoid the continuing exodus from these lands to the cities. For this reason, Mr Icard like many other regional officials concerned by this problem is anxious to see alternative investments made to help the more depressed agricultural areas of the region. "I believe there is a good opportunity to develop rural tourism in these areas, which are very beautiful and offer a lot of variety," he said.

At the same time, more and more French and foreign tourists are discovering this part of France instead of simply driving past it on their way to the south. Surprising as it may seem, the Rhone Alpes and not the Riviera is today the second biggest tourist region of France after Paris.

Although this is largely the result of the region's impressive winter sports facilities, it is also in part due to the area's other tourist assets including its summer mountain resorts, its spas and lakes, its historic cities, its varied countryside, *not to mention its good food* and wine.

# New political twist

Continued from Page 1

globe-trotting for his pharmaceutical group. "When I first came to the regional council three years ago, there was not a single secretary who spoke English. This is now changing."

Even though the Rhone Alpes does not have a strong historical identity of its own, Mr Millon says it must carve an identity for itself through a series of major new projects in the academic, research, industrial or transport infrastructure fields which will help integrate more closely the different components of the region and give them a common long-term goal.

The stakes are high both for the Rhone Alpes and for the political ambitions of the region's new generation of politicians. "We must try to build a real political consensus at a regional level and help forge at a national level a new socially conscious liberal movement. If we don't succeed in doing this, I'm afraid the right-wing opposition will remain in opposition for many more years to come in France," Mr Millon said.

With the municipal elections last month, the Rhone Alpes may have contributed in opening an important new political chapter in France.

RHONE-POULENC

# Move that has paid dividends

RHONE-POULENC, the French nationalised chemicals group, has long been one of the industrial pillars of Lyons and the Rhone Alpes region. The group has also made a special effort in recent years to cultivate and expand its local roots.

The large chemicals company has in fact decentralised its agrochemical operations, which account for about 15 per cent of total group turnover, to Lyons. Its world marketing operations are also now handled out of the Rhone Alpes capital rather than Paris.

"There were several reasons why we decided to centre a number of activities, including the agrochemical operations, in Lyons," explained Mr Philippe Desmarescaux, the general manager of the group's agrochemical operations and a member of Rhone-Poulenc's executive committee.

"We felt it was a good idea to focus our respective operations where you find their centre of gravity. We employ in the agrochemical sector about 2,500 people in France including about 1,800 in this region," he added.

By moving its agrochemical headquarters to Lyons, Rhone-Poulenc also brought this activity close to one of its three major research centres, the other two being in Essex and in North Carolina. Mr Desmarescaux argued that it was important to be close to the research operations and that it was an advantage to have research specialists and marketing people close together.

Lyons has also helped Rhone-Poulenc make big productivity improvements. "Transport is a key factor. It takes people only about 10 minutes to get to work here while in Paris it takes them an average of about three-quarters of an hour if not much more," Mr Desmarescaux said. He also added that some Parisians take longer to go to work than for a Rhone-Poulenc manager to travel to Paris by high speed train.

"Another advantage is that we are a big company locally, while we would be just another company in Paris. This gives us visibility and is a boost in our foreign relations," he said.

But perhaps the two most important factors which prompted Rhone-Poulenc to concentrate its agrochemical operations on Lyons were the recent international expansion of these activities and the need to be close to a strong research and technology environment, especially in the chemicals and biotechnology fields.

Rhone-Poulenc acquired just over two years ago the agrochemical operations of Union Carbide, the US chemicals group, for $550m. This has now helped it expand in a major way in the US market.

"When you have an international activity like ours, the French dimension loses its significance. From our point of view there was no advantage to being in Paris rather than Lyons, while there were obvious advantages to being in Lyons because we were closer to our research and our markets," Mr Desmarescaux explained.

**Relocating to Lyons has helped Rhone-Poulenc make big productivity improvements. The move has also raised its profile locally. In Paris it was just another company**

Moreover, communications between Lyons and New York are now very easy. "You can now be the head of a big US subsidiary and reside in Lyons," the Rhone-Poulenc executive said. "You can grab the high speed TGV train, then jump on Concorde and be in New York by nine o'clock. American Airlines are also now linking Lyons' international airport of Satolas with New York with a direct flight service," he added.

The region also boasts a strong concentration of small and medium-sized enterprises, private and public research institutes, other major groups like Institut Merieux, which is 51 per cent controlled by Rhone-Poulenc but run with considerable autonomy by Mr Alain Merieux, its chairman and member of the group's founding family, not to mention a dense network of universities and high technology concerns.

"If you consider the infrastructures of this region, one could imagine one day the road between Lyons and Geneva becoming a European Silicon Valley," said Mr Desmarescaux. "And that would attract many more Americans and Japanese to this region."

But for that to happen, he suggests, the region needs to integrate more fully its higher education and research establishments with local business. "It is absolutely crucial for research labs and universities to become open to the economic world," he said, echoing many other leading industrialists based in Lyons and the Rhone Alpes region.

**Paul Betts**

# Disposing of an obstacle to the plastic car

**John Griffiths** explains why what happens at the end of a car's life is so important

The plastic-bodied car of the future looks like having several useful lives after death. Once its wheels have turned their last, consumers in the early 21st century should be able to cook with it, build with it, pour coffee from it — and even bath in it.

Such an outcome is not as bizarre as it sounds.

Among the end products of the latest recycling and disposal processes are: combustible gas to fuel power stations, a bulking agent for concrete or asphalt, low-grade plastics for coffee pots, and even water. The world's chemicals and plastics companies are coming to accept that such processes must be developed on a large scale if the plastic car — with all its advantages of weight saving, corrosion resistance and manufacturing flexibility — is to become a mass-market reality.

Indeed, if it cannot be demonstrated in advance that these non-biodegradable materials can be dealt with in huge volumes, the *plastic car may be legislated out of* existence before it enters mass production, says Paul Freimann, who is in charge of environment technology at Voest-Alpine, the Austrian chemicals group.

To this end, Voest-Alpine has been jointly developing high-temperature gasification with Dow Europe, the European subsidiary of the US multinational Dow Chemical. In this process, shredded plastic from simulated scrap cars — including the accumulated grime typical of lengthy usage — becomes a feedstock for the environmentally harmless production of a clean gas. This in turn is used to make hot water and steam for electricity-generating turbines. Other end-products include marketable sulphur and virtually carbon-free granules for use as a bulking agent.

The process is already working at a pilot plant in Linz and a second, larger plant has been built to allow further trials to be carried out.

Michael Clark, Dow Europe's research and development director for plastics, is quick to stress that the process can provide some, but by no means all, of the solutions to the problem of disposing of heavily plastics-based cars. It is, for example, particularly suited to thermoset plastics, such as the sheet moulded compound (SMC) already being used by General Motors and Renault for the body panels on their respective Lumina van and Espace "people carrier".

At present, such materials can only be chopped up or burnt after the vehicle life has expired.

However, thermoplastics made by a different process, and applied to vehicles in areas mainly complementary to thermosets, can be melted down and still retain many of their properties.

Thus in their second life, according to Richard McKechnie, design and engineering manager at GE Plastics Europe, the slightly lower grade materials could be used for unstressed car interior parts; in their third life for coffee pot bodies and, eventually, for pipelines. Finally, it could be ground up and used as a landfill material.

Implicit in McKechnie's view is that the recyclability of thermoplastics makes them a better bet than thermosets for large-scale vehicle applications. But this view brings him into conflict with Michael Clark, of Dow.

The recycling capability sounds fine in theory, says Clark, but it takes insufficient account of the degradation of a car's plastic surfaces through wear and contact with substances likely to pollute the melting down process. He also argues that "even the best recycling schemes can only postpone the inevitable by putting the materials into 'inventory' for a period of time."

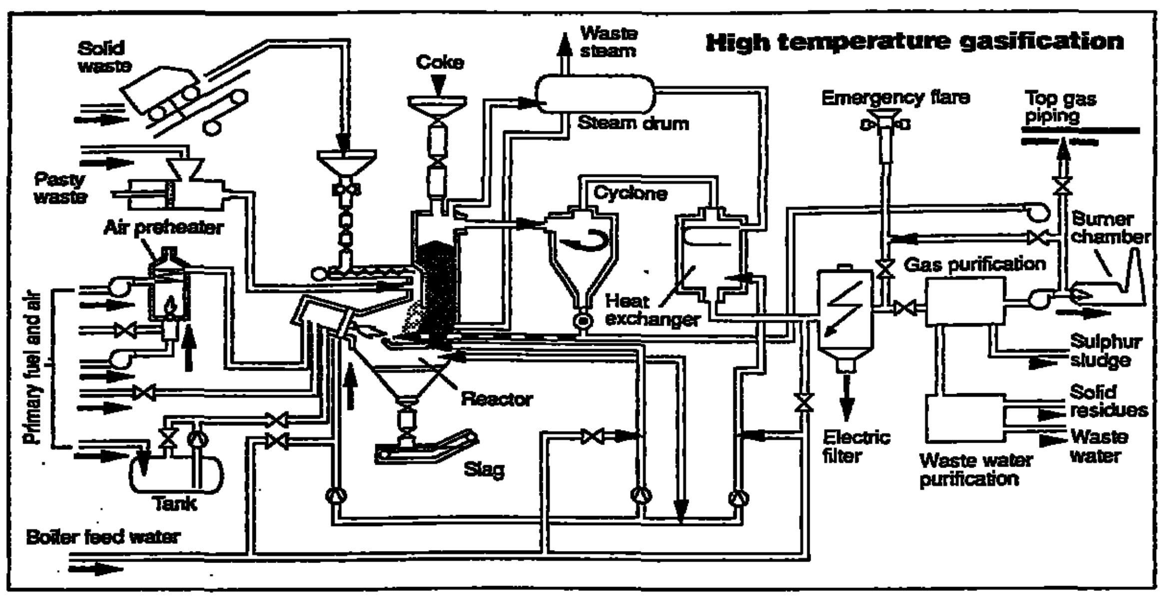
However, according to Clark, both gasification and recycling should be seen as complementary contributions to the effort to solve the disposal problem, which is now being dealt with mainly by crude landfill solutions.

A comprehensive answer, he argues, "can only be reached through the co-operation of a variety of interested parties" — not least the shredder operators, which currently process most scrap cars and which are mainly owned by companies in the steel industry. Plastics producers and the companies which turn the material into components must also be involved, he says, because product and process design also have a role to play.

For example, some of the additives which give plastics specific characteristics are more environmentally benign than others. Closer collaboration with component makers could lead to lighter components, designed to make the best use of plastic properties. This could result in components markedly different from the metal ones with which much of the motor industry has traditionally worked.

Dow is placing most emphasis on shredding and burning because, as the Voest-Alpine system appears to have demonstrated, most polymers can be burnt in a clean manner (when scrubbers are used) to yield energy and only relatively small amounts of environmentally benign ash. To this end, it is also sponsoring work by several suppliers' associations, such as the US-based Coalition for Responsible Waste Incineration.

As the diagram shows, the Voest-Alpine process has several stages.



*It uses a reactor* into which is fed pre-heated air and a primary fuel, which can be waste oil, solvents or even coal dust. These heat the reactor's primary chamber to 1,600 deg C, more than enough to break down the hydrocarbons on which plastics are based.

The shredded waste for disposal is carried on a continuous feeder into the primary chamber and on to the surface of a coke slope, extending from the coke-filled vertical shaft of the gasifier.

The heating process results in a combustible and very hot gas, made up of hydrogen and carbon monoxide but containing no condensable hydrocarbons or tars, which passes up through the coke-filled shaft en route to cleaning and further processing.

At the same time, a liquid slag from the process pours into a water bath at the bottom of the reactor, where it "freezes" into glassy granules of up to 2 mm in diameter. It can then be carted off by truck for use as a building material.

Dust collected by the slowly cooling gas on its way up the coke-filled shaft is separated out in a cyclone. The gas then enters a heat exchanger, where it is cooled from 900 to 200 deg C, with the heat being bled off to produce hot water or to generate steam.

More dust is removed from the gas in an electric precipitator before the gas goes on to the last, two-stage purification process. Traces of fluorine and chlorine and some heavy metal solids are removed in a water scrubber, and hydrogen sulphide is oxidised into elementary — and entirely saleable — sulphur.

The final product is a clean gas, which meets all requirements as a conventional flue gas, which can be pumped straight into a power-generating station.

According to Voest-Alpine's Freimann, 50 per cent of the energy contained in the waste plastics is recovered as gas and a further 30 per cent in the form of steam or hot water, giving a total thermal efficiency of 80 per cent.

After all the processes, including granulation, are taken into account, only 1 per cent of the original shredded waste finishes up being dumped, he says.

## WORTH WATCHING

*Edited by* Geoffrey Charlish

### A library on a disk

ATTICA Cybernetics, of Oxford in the UK, has launched the electronic equivalent of a reference library: a system with a book-sized liquid crystal display unit which shows the information from a CD-Rom, (compact disk read-only memory). Each 4.75 in disk can hold up to 350 books.

DynaBook, developed by Scenario in the US, measures only 14 in by 14 in by 2.9 in and weighs 16 lb. The screen unit, which is 10.2 in by 5.8 in, detaches for comfortable reading. There is no keyboard — access to the information is gained by touching the screen in response to displayed instructions.

World-wide, there are now some 350 CD-Rom publications. Most are scientific and professional text/diagram databases, which previously were available only from a central point over a telephone line.

Under development are multi-media applications in which video pictures, music, voice and text are combined. Some pilot disks have been produced. Mike Lloyd, Attica's managing director, says that these are essentially electronic books which "will store vast amounts and have mass appeal."

He thinks CD-Rom publishing could be as big as the personal computer market in five to 10 years' time. An advantage is that the disks are compatible with personal computers, so that data can easily be moved into other programs such as word processing.

### The phone that knows names

VOICE recognition technology has been applied to the telephone by Toshiba, the Japanese electronics company.

The system obviates the need to remember the number of the party to be called or to do any dialling. The caller simply speaks the name of the person required into the mouthpiece and the appropriate number is dialled automatically.

Recognition is based on a technique that Toshiba calls "multiple similarity", the accuracy of which is claimed to surpass other methods. After digitisation, the speech is examined electronically at high speed, in terms of certain time-related features within words, their boundaries and so on.

The result is a reference pattern which is compared with the pattern obtained when the user first registered the names by speaking each of them three times. Toshiba has reduced the circuits involved to chip form.

The instrument is on sale in Japan as the Kiss Phone Off FF-70AL at a price of Y30,000 (£130). Plans for marketing outside Japan have yet to be announced.

### Cancelling out vibration

A SYSTEM which reduces the vibration in helicopters by applying a cancelling vibration is being offered by Moog Controls, of the UK, for use in industry, oil and gas production, fixed wing aircraft, vehicles and ships.

Vibration problems cannot necessarily be solved at source. In the case of helicopters, the air disturbance of the blades causes vibration in associated parts, leading to discomfort and structural weaknesses.

The Moog technique is to use electro-hydraulic actuators to provide an anti-phase or cancelling vibration at appropriate points. Monitoring sensors control the amount of cancellation applied.

Moog says that for cost effectiveness there must be a serious vibration problem and the system to which cancellation is applied must have a high enough capital value. Among the benefits claimed are reduced structural fatigue, better comfort, less noise, increased life of components, reduced operating costs and lower cost and weight of vibration isolation mountings.

### US doubts on machine tools

A SURVEY by the Society of Manufacturing Engineers (SME), in the US, reveals that two out of three American manufacturers think foreign-built machine tools have fewer problems than US products.

On the other hand, a similar proportion of American users rate the service provided by US vendors more highly than they do that given by offshore suppliers. Three out of four say that speed of response is better and the vast majority (by eight to one) agree that parts availability is superior.

The survey was conducted by SME and Indumar, a research consultancy in Cincinnati, Ohio. More than 2,000 manufacturing engineers and managers were questioned.

Some respondents saw a "trend towards excellence" in the US machine tool industry, while others thought too many options were offered on what were "basic requirements."

### Solar power for space station

ALLIED Signal Aerospace, of the US, has been chosen by the National Aeronautics and Space Administration (Nasa) to develop its "dynamic solar power" generation system for the US space station project.

It is calculated that the station will need at least 15 times more power than any previous US spacecraft. About 75 kw will be provided by a solar cell system, but a further 50 kw will come from the Allied Signal system. This uses a pair of giant mirrors which reflect the sun's heat into a receiver for storage in molten lithium fluoride and calcium difluoride salts.

The stored heat pressurises a mixture of xenon and helium, which expands through a turbine, driving an alternator to generate electricity.

When the station is in the earth's shadow, the salts hold enough heat to provide power until the sun's reappearance.

CONTACTS: Attica: UK 0865 791346. Toshiba: Tokyo, 457 2104. Moog: 0684 296600. SME: US, (313) 271 1500. Allied Signal: US, (201) 455 4874.

**MANAGEMENT:** The Growing Business

David Odhiambo Okumu is a classic example of the burgeoning breed of aggressive small scale private entrepreneur appearing across Africa.

Determined, enthusiastic and a bit of a chancer, he eagerly grasped the opportunities in the developing African free marketplace. But without any basic management skills he soon found out that bright ideas and hard work weren't enough to keep a business afloat.

Two years ago Okumu, a university trained chemist, quit his job as technical manager with a large chemicals company. With the financial help of his extended family he set up what is categorised as a micro-manufacturing operation called Superior Chemicals.

His premises in Nairobi consist of a tiny wooden shed, part office, part stockroom, and a small narrow courtyard where he mixes chemicals by hand in large plastic barrels. His main products are detergents, thinners, dry cleaning agents and battery acid.

But after only three months in business he began to think of packing up shop. "We knew our products were good but we couldn't see how to market them and we couldn't understand our books. We had no hope of surviving and I was thinking of going back to my job," he says.

Just as he was about to give up he read a newspaper advertisement for a revolutionary management programme under which top executives in medium and large companies offer their skills to their struggling small counterparts.

Kenya Management Assistance Programme (KMAP) was particularly designed to help struggling entrepreneurs like Okumu.

"Having gone through the experience of being a small businessman myself the problems were fresh in my mind," says Victor Pratt, the founder of KMAP.

"The fundamental obstacle facing small entrepreneurs is a critical lack of management skills and know-how. Simple problems like bookkeeping and pricing can cause a small business to go bust. And yet the big business community here has an abundance of these skills. We had to find a way to tap it."

Pratt's idea was to set up a skills bank, funded and staffed by the big companies, to help small entrepreneurs overcome their problems. Each large or medium scale firm was approached for between Ksh5,000 (£150) and Ksh20,000 (£600) to set up the organisation and to lend out one or two top executives as counsellors for one day each month at a nominal fee. The skills of the counsellors would be matched directly to the needs of the small businessmen and advice given in the workplace.

More than 100 leading businesses, including companies like General Motors, Barclays Bank, American Life Insurance Company and the Unilever subsidiary, East African Industries, came forward as founders.

"The business community here was remarkably receptive and mature. They readily agreed to share their skills to help small business and to expand the economy and create jobs," says Pratt. KMAP has also organised several open workshops on common problems facing small businessmen like record keeping, minimising costs, how to approach a banker for a loan and pricing for profit.

Management co-operation

# Benefiting from some basic skills

**Julian Ozanne** explains how big companies are coming to the aid of small businesses in Kenya

Manja Karmon-Klein

David Okumu (left) received help in running his small chemicals firm through the Kenya Management Assistance Programme set up by Victor Pratt (centre)

The programme, which celebrates its second anniversary this week, has attracted 165 clients from food manufacturers and electronics repairmen to safari companies and hotels. It boasts that these companies have, on average, increased their sales turnover by 15.2 per cent and, collectively, created more than 200 new jobs.

For Okumu the intervention of KMAP was a godsend. With its help and advice his gross turnover has increased from Ksh130,000 to Ksh1.56m and he now employs 14 people rather than the five he started with. He is even thinking of buying a mechanical mixer.

"The most important thing for us was that we always had someone willing to listen to our problems and to encourage us when things looked bad. But there were many practical things we learnt from KMAP like keeping stocks and getting good labels printed for packaging rather than just writing with ink on the bottles," he says.

While Okumu's business is better run now he still faces the problem of access to working capital. He has never had an overdraft or a loan and cannot afford to offer his customers credit nor buy up essential raw materials which go through long periods of shortages in Kenya. With the help of KMAP he drew up a business plan and applied to Barclays Bank for a loan. He was turned down.

The conservative banking community in Kenya does not lend money without collateral. With fixed interest rates it is difficult to pass the risk on to the borrower.

"The issue of collateral is a non-starter for most micro-enterprises. Banks in Africa don't take risks. This has to change if small businessmen are to be given a chance," maintains Pratt.

KMAP is looking at ways to encourage banks to support projects which are backed with its management skills. And USAID, the US development agency, which helped KMAP with a $30,000 start up grant, is considering setting up a risk fund which would guarantee loans made by banks.

Many of KMAP's counsellors look forward to their chance to get out of their offices for a day and get their hands dirty.

Gary Coleman, general manager of American Life Insurance Company of Kenya (ALICO), has been with the programme since the beginning.

"Many of these companies operate out of a small cash box. They put money in, take it out and what is left over is what they have earned that month. Most of them know what is wrong with their business, they just need someone pushing them to do what they know is right — like collecting debts from their extended family.

"We felt this self-help boot-strap operation had terrific merit and we wanted to put something back into Kenya. It isn't all altruistic — if small businesses grow and provide jobs the economy will buy more of my product," he says.

The concept of small scale business development being the engine of economic growth has gained widespread acceptance in much of Africa. With large unwieldy public sectors devouring ever diminishing resources and population growths well above average, African governments are looking to the private small scale sector to provide jobs.

In Kenya, with a population growth in 1987 of 3.7 per cent, this has become an urgent government priority.

"The modern, urban, industrial sector cannot be depended on to employ much of the growing workforce. To employ people on small farms, in very small-scale industry and services, or in self-employment takes only a fraction of the K£16,000 (£9,800) per worker required in the modern sector," said the government's 1986 sessional paper, Kenya's economic blueprint to the year 2000.

Several other African governments, like Botswana, Zimbabwe and Uganda, plagued by the same problems, are considering setting up a similar scheme using KMAP as a role model.

KMAP sees its role as being complementary with this new attitude on the part of African governments.

"African governments have had too much control in the past on the private sector," says Pratt. "It has been our downfall. They are beginning to realise they must withdraw a little and create a facilitating climate for private business. We have shown that the private sector can come in to stimulate itself and create jobs. What we need now is more dialogue, more input into government policy and the development of private sector leadership with the courage to speak and a sense of direction," he adds.

There is also a growing realisation among governments that small private companies could provide a valuable source of revenue in times of fiscal constraint.

When the sales tax men found out that Superior Chemicals products were appearing in the shops they paid Okumu a visit.

"When they came and saw our place they said 'Brothers: good luck.' We were too small to worry about. But I would like to be much bigger so I can pay my government and help my country," says Okumu.

Attitudes to enterprise

# Now a preferred option

**Ian Hamilton Fazey** reports on the results of a UK survey

Young people in the UK do not go into business on their own primarily to become rich. Most do so to take control of their own lives and reap the rewards of their own efforts. Escape from unemployment drives some, but the majority either have jobs already or come out of full-time education.

These are some of the findings of a survey by Livewire, the organisation which helps people aged between 16 and 25 to explore self-employment. The survey will be published later this year.

Livewire, now five years old, gets £500,000 a year from the enterprise unit of Shell UK and is run by Project North East, the Tyneside enterprise agency. It has established a UK-wide network, operated by 76 local co-ordinators, and has more experience than any other agency in the field. Each year it challenges young people to submit ideas for self-employment and offers them advice on business planning, as well as help in cash or kind. There are more than 3,500 registrations this year, the best of which will go to a national final.

The survey was designed to assess attitudes to enterprise among the under-25s. Peter Westgarth, Livewire's director says: "There is a trend towards young people choosing their own business as their preferred option, not just because there is no other way of escaping unemployment.

"We found that 29 per cent already had jobs and 22 per cent were in full-time education prior to setting up on their own. Although 40 per cent were unemployed, this is not quite as it seems because some of the unemployed became so intentionally in order to qualify for the Enterprise Allowance Scheme."

The scheme gives self-employed people a state subsidy of £40 a week for their first year, but it only applies to unemployed people as it was designed to get them off the register. Less than 4 per cent went into business out of a Government training scheme and only 2 per cent were assisted by the In Business agency.

The origins of the new starters is also reflected in another detail from the survey: 70 per cent of Livewire people are aged over 20 — not surprisingly as most had either already been in work or had further educational experience.

Westgarth says that this would also indicate that the rising yearly trend in Livewire registrations — up by 4 per cent for this year — will continue in spite of falling numbers of teenagers, for the peak size of the 19-24 age group will not be reached until 1991.

Attitudes among this age group have changed considerably, says Westgarth. They have many more opportunities to get into small business, they see contemporaries who have already been successful and a widening small business base with room for more. An attitudinal change towards the "enterprise culture" has generated a more widespread empathy with business in general and produced a better informed business community.

> Most young entrepreneurs seem to recognise that most people in small business do not become rich

Other outcomes have been a more flexible young workforce prepared to switch between self-employment and employment, as well as a more creative small business base.

Most of the young entrepreneurs seem to recognise that most people in small business do not become rich, and this prospect was well down their personal lists of motivators. Independence, satisfaction, self-determination and stimulation were rated ahead of financial success. With job creation ranked even lower, altruism was not much of an influence either.

Young entrepreneurs now seem to find it much easier to get finance, with most of the banks now taking a more liberal attitude towards lending without security, especially as more young businesses survive and grow. Westgarth even jokes that he has heard of some young people who have had to persuade their bank managers to write them rejection letters so that they could qualify for help from the Prince's Youth Business Trust. This gives grants of up to £1,000 and soft loans up to £5,000 at around 6 per cent interest to young people who cannot get money anywhere else.

The trust — which works closely with Livewire — is likely to make an even more decisive contribution in the next few years. On his 40th birthday last November, Prince Charles launched an appeal for private sector donations of £40m. This now looks certain to be reached and will be made up to £60m by the Government.

Although this will ease the problems of raising finance for young entrepreneurs, it will not eliminate their difficulties. The survey shows that they share enthusiasm and a willingness to work hard, but it also shows that they are desperately short of business skills. The main problems revolve around managing tax and VAT, finding accommodation, setting priorities, handling accounts, market research, selling, legal matters, insurance and, critically, marketing.

Westgarth says that the key to resolving these difficulties is developing a counselling service. He does not mean business advice — such as provided in enterprise agencies — and says that the agencies often make a fundamental error in assuming that anyone with business experience can be called a counsellor. Counselling, he says, requires a combination of tutelage, confessional skills, hand-holding and patience. A good counsellor will help the young entrepreneur develop a business plan as a first discipline, then use this to identify training needs in business and personal skills.

Whether advice is accepted will depend on who gives it, and how. As Westgarth puts it: "The question may well be how do we train advisers to be good counsellors so that skills are nurtured properly, not how do we train young people to be entrepreneurial."

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Scene from Richard Alston's "Cinema," designed by Allen Jones

# The Rambert Dance Company

**SADLER'S WELLS**

The three choicest items of the repertory shown by the Rambert Dance Company in its current Sadler's Wells season have been short works – Merce Cunningham's *Septet*, Trisha Brown's *Opal Loop* and Richard Alston's *Hymnos*. Each of the season's first three quadruple bills has presented two of these together as an opening or central diptych, and the praises of each have been sung in these pages before. None of them wins any great ovations, but each is so fine a demonstration of what dance can do that I want to recommend visits to see them, not once but several times. They are three superb, dissimilar expositions of Rambert's dance goals, and in them, as in everything else, the company's performers give the most sumptuous and unaffected dancing to be seen in Britain today.

Yet I'm reluctant to recommend Programme Three, for all that *Hymnos* and *Opal Loop* are its centrepiece, because I find the opening and closing works so slight. New to London and to me on Friday night was *Cinema*, Alston's latest work; Clement Crisp has written more enthusiastically of its première a month ago in Birmingham.

As its dancers move, their bodies describe a rich array of three-dimensional lines, curves and angles, an alert and varied ordering of time, and any five seconds of this remind me why I find Alston this country's finest dance-maker today. But show me any one whole minute of *Cinema* and I feel that he is floundering, desperately trying to make a chic response to three of Satie's flimsiest compositions. The dancers are the smart and brittle small talk of a clever conversationalist who wants to come to the point but doesn't know how.

The Rambert has a superb recent record of stage design, and I suspect that Alston was prompted to make *Cinema* less by the dance values of the three Satie pieces he uses than by the multi-media history and high artistic profile attached to the central one, *Cinema* itself, which Satie composed to accompany the René Clair film that was part of *Relâche* the 1924 Picabia ballet that was the last offering of the Ballets Suédois. And the new work's most memorable feature is its gloriously bright, Dadaist designs by Allen Jones. In the decor for the second and fourth scenes, dancers emerge or retreat from or into a giant film-lamp passing up and down a huge sloping piano keyboard down which the lamp casts its beam, to or from the stage. Alas, this and the rest of the designs have more wit, chic and vitality than the dances.

The most striking flashes of drama and momentum occur in a brief duet for Cathrine Price and Mark Baldwin and, especially, in tiny, fast, short solos for Price and Lucy Bethune. I will return to *Cinema* to see these sequences and in quest of others. But I will give David Gordon's *Mates*, which opens the evening, a miss. This limp series of over-extended, doodling variations on tango material was first shown here last year. It is the dullest piece I have seen by Gordon, who in other circumstances I have often found a lucid-witty choreographer. The spectacle of the marvellous Rambert dancers lavishing all they have on this is like seeing a takeaway cardboard pizza being washed down with Nuits St Georges.

**Alastair Macaulay**

# Maw's Odyssey

**FESTIVAL HALL/RADIO 3**

Composed over some 13 years, Nicholas Maw's *Odyssey* had a part-première at a Prom last summer. There was insufficient rehearsal time then for the whole work – which proved, in Saturday's performance by an expanded BBC Symphony under Richard Bernas, to take not the 95 minutes predicted, but one hour and three-quarters.

*If this enormous symphony* conceals a scenario from the *Odyssey* of Homer, Maw has not declared it. Perhaps the title simply invokes the idea of an epic journey homeward. The abstract musical structure is laid out in five continuous movements: an introduction teeming with ideas, two hugely ramified slow movements flanking a lighter intermezzo, and a tumultuous finale (Odysseus slaying Penelope's suitors?) on the scale of Mahler's Sixth.

The musical processes are on the largest scale, with such intricate connections that it will take many hearings to track them fully; the language is "post-tonal," but the textures grow more transparent from mid-symphony onwards.

Maw's lyrical polyphony supplies the main riches of *Odyssey*, but also the central risk for its symphonic ambitions. The vein of ever-extending melody for which he has such an extraordinary gift is *moderato* by nature; by comparison, the fast passages and the few very slow ones in *Odyssey* sound like conscientious contrasts, more beholden to the Romantic models Maw loves.

In short – or rather, in length and breadth! – *Odyssey* consists essentially of singing polyphony at a temperate pace, and that has to supply motive power on a scale for which Bruckner or Mahler had bolder elements and sharper contrasts.

*The opulent orchestra dress* is adequate to the purpose and throws up many pretty ideas, but is not significantly original in itself: from an honest distance, successive effects recall Strauss there, now Berg, then Bartok. Only time will tell whether the ripe personality of all that orchestral song is sufficient for the grand symphonic purpose. In the finale there was, certainly, a powerful sense of connections ultimately made, a large argument completed. The Bernas performance sounded beautifully prepared; I just doubted whether the second movement might be missing some overall passionate thrust.

As if *Odyssey* were short measure for an evening, the concert included Liszt's lovely period-piece *Orpheus* as an opener. It must have inspired the famous Interlude in Strauss's opera *Capriccio*: the thrice-repeated horn-notes in their tunes, over various melting harmonies, *cannot* be a coincidence.

**David Murray**

# Falstaff

**COLISEUM**

On Friday the recent English National Opera production of Verdi's opera sported not only a new Falstaff but also a new Ford and a new Nanetta.

As Ford, Quentin Hayes was adequately sturdy and surly, and at the end he accepted the defeat of his plans with sudden endearing grace. *His jealousy-*monologue, soundly delivered, wanted more spontaneous feeling; but this sketch of the role was on the right lines, and should develop well. Mary Hagerty's Nanetta, a knowing lass, is well-formed already: poised, fetching and most stylishly sung. Her soprano has a clear, bright ring, but poignant tints as well – this is not one of your bird-like soubrettes. We shall hear much more of Miss Hagerty.

The name-part is now entrusted to Andrew Shore, whose Doeg in last year's Philip Glass "opera" helped keep that under-powered vehicle on the road. For a young baritone, the challenge presented by Verdi's Falstaff ought to be impossible to meet; Shore faces it with precocious aplomb, and there is sharp authority in his phrasing.

Mellowness, and another degree or two of comic vulnerability are needed to round off the picture: some incorrigible scapegrace glee, a further touch of pathos in "Quand ero paggio," more unbuttoned relish for Falstaff's lyrically expansive moments. Singing *the role in the original Italian* should open the way. Meanwhile he cuts a fine dramatic edge, holding the centre of the opera with panache.

If Lionel Friend, the conductor this time, didn't manage to keep the tricky Act I nonette quite tidy, his account of the score was generally buoyant, and the concluding fugue was a well-sprung, spot-on delight.

The merry Windsor wives have been much praised already – though their handling by producer David Pountney is more sit-com than subtle: this lively trio should be allowed more intimate embroidery. Among the men Barry Banks sings an appealingly Italianate, light-but-plangent Fenton, no less of a musical asset to the performance than Falstaff himself.

**David Murray**

# Views of the French Revolution

**William Packer** reviews the exhibition at the Grand Palais, Paris

This, you may have noticed, is the bicentenary of the Great Revolution in France, or rather of its onset with the Fall of the Bastille on July 14, 1789. The French are as committed to its celebration in principle and, by the institution of their National Day, in perpetuity, as they are oddly coy about certain of its events. There is enthusiasm enough with even the centenary of the first centenary, marked by the construction of Mr Eiffel's great tower, receiving its due attention. President Mitterand's Arch looms out at La Défense, and not by chance has the Pyramid of Mr Pei, perfect icon of neo-classicism, been added this year to the monumental landscape of Paris.

And yet the thought persists that arch and pyramid smack just as well of Boney and the First Empire as of the last days of the *ancien régime*. The ghost of poor Louis Seize, doomed more by an unpopular Queen and that last failure of nerve, the flight to Varennes, than by anything he did, still haunts the popular imagination. In this bicentennial year we must look quite hard for any sign of the Guillotine, let alone mention of the Terror, Robespierre and the Committee of Public Safety. We should remember that in marking 1789, modern republican France is celebrating not the abolition of the monarchy and the institution of the First Republic, but only the initial idea of liberation, a myth.

This is not to belittle it, for it was immediately potent enough to set in train the whole reactive process of political development, both international and domestic, that has led to the world we know today. France the political epicentre, and a Europe thus shocked and agitated, was surely too good a subject to pass up for a major show.

True to form, the Council of Europe has come up with the 20th in its series of great historio-cultural exhibitions upon our common European inheritance. *La Révolution Française et l'Europe: 1789-1799* (Grand Palais: until June 26) is as fascinating an exhibition as any of its predecessors.

**Foreign opinion: Goya's "Le Songe de la raison engendre des monstres"**

The first and largest of the three main sections, and the most intriguing, is given over to Europe on the eve of the Revolution. It begins with the images of the crowned heads of Europe and so takes us on to the realities of political power and social circumstance, urban and rural, industrial and commercial, scientific and artistic. The 18th century scene is set, and we realise that the issue was never one of simple exploitation and political suppression.

This was the age of the Enlightenment across Europe, of scepticism, rational enquiry, experiment and debate, of Voltaire and Rousseau, Hume and Burke, Watt and Redoute. The scope is European, and if the English visitor regrets the absence here of Johnson and Gibbon, or of Stubbs and Wright of Derby, or of Coke and Capability Brown, he is touched nevertheless by the sight of Horace Walpole deep in his correspondence with Madame de Sevigne. The American colonies had won their freedom. In England Parliament was close to throwing off the direct influence of the Crown. In France the true leaders of the Revolution would be not the men of the people, but intellectuals and politicians.

The next section takes us through the events of the Revolution itself and the wars that followed, moving with surprising speed over the Fall of the Bastille, the fall and death of the King, and on to the later struggles for power among the leaders of the Revolution, and their own downfall. The creative engagement of artists with the Revolution and its ideas finds expression as much in symbolic and classical subjects, such as "la Patrie en danger," by Guillon-Lethière, or "The Generosity of the Roman Women" by Gauffier, as in the several images of Robespierre, or Danton, or Marat stabbed in his bath by Charlotte Corday.

The section ends with France in arms against the world, and *it is the view of the* Revolution as it appeared from the outside that is the more fascinating. The brilliant English caricaturist and most consummate of draughtsmen, James Gillray, comes into his own in this respect as one of the real stars of the exhibition, as he records the political debate in England from his own fiercely anti-Jacobin position. Pitt was never exactly his hero, but Fox was unquestionably his arch-villain for the long flirtation he conducted with the Revolution from the Opposition benches. The hilarious vision of the Terror in St James's, with Fox thrashing Pitt, the Guillotine outside Brooks's and members hanged from the windows of White's, is a *tour de force*, as astonishing to us in the sedate nature of our present politics as it is no doubt surprising to the French.

The final section treats on the Revolution in its aspect as Creator, in the particular stimulus it gave to the development of political and philosophical principles, to the practical organisation and administration of France herself, and to science and the arts in general. Here is place for the Declaration of the Rights of Man, and for experiments with the Constitution. But in its creative achievement there is yet the sense that this can only be a beginning. Bonaparte is waiting in the wings.

# London Symphony

**BARBICAN HALL**

Beethoven's Eighth Symphony might seem an odd beginning for an LSO programme otherwise devoted to Ravel, which Rafael Fruhbeck de Burgos conducted on Sunday (sponsored by Rank Xerox). In fact it paired happily with Ravel's two-hand piano concerto in the first half, since both works are effervescent and jokey in their own ways; and if Beethoven's specific gravity is incomparably higher, Ravel's central nocturne remains nonetheless a jewel of transparent *pudeur*.

The Eighth got a straight, clean reading without novel twists, but with due attention to Beethoven's own surprises and witty fractures. Elegance without precocity in the metronomic Allegretto, a finale that bubbled but never aimed at showy brilliance: it was a tonic to hear the high spirits of the symphony so unfussily conveyed. In Ravel's "divertimento" concerto, several first-desk virtuosi vied – as is expected – with the soloist Louis Lortie. Lortie himself, coping bravely with the leaden *bass* of his instrument, was dashing in his quick music, sensitive but less than ideally smooth in slow passages. Odd notes protruded in the Gershwinesque second subject of the Allegramente; and he took the Adagio a notch below the tempo at which he might sculpt each highly-wrought phrase without a sense of note by note by deliberate note.

After the interval, Lortie was articulate and searching with the Concerto for Left Hand. He distinguished himself in the magnificent final cadenza (though unless my ear deceived me, he played the F sharp misprints – each should be an A – at figure 51). Only his first entry disappointed: after the grand orchestral exposition of the pavane, Ravel cannot have meant his heroic soloist to re-state it with so much wilting *rubato*.

The concert ended with his infernal and prescient *Bolero*, for which the conductor's tempo was admirably steady with a properly roof-raising climax – but too fast by a good three minutes. Ravel dared to give a famous public reprimand to Toscanini, after all, for hurrying the piece. At its own implacable pace, *Bolero* drives the mind to cracking-point before its grinding close; if jollied briskly along, it can seem just a bright, *ur*-minimalist pop-piece with a buffo finish. Though Fruhbeck de Burgos struck a civilised compromise, I missed the basilisk glare of the original conception – not that one wants to meet it often.

**David Murray**

# The Dream of Gerontius

**FESTIVAL HALL**

The last of the Philharmonia's concerts to mark the centenary of the birth of Sir Adrian Boult featured the work with which he is now most closely associated, Elgar's *The Dream of Gerontius*. Boult first conducted the piece in 1904, only four years after its première, and it stayed with him until his last years, when he at last crowned his lifelong championship of Elgar's music with a complete recording of it.

As it must be 20 years since I saw Boult conduct *The Dream of Gerontius* at a Prom, it is hardly possible to compare his performance with that given here by Andrew Davis in detail, though as a general observation I would say that Boult unfolded the score with an unforced grandeur and naturalness of movement that his successor does not. In that sense Davis does not belong comfortably within the English tradition, as do conductors like Groves or Handley.

Instead, the performance he gave us on Sunday night was concentrated and intense, making the oratorio far more gripping as a drama than it is usually. The conductor's presence could continually be felt at work, driving home climaxes, bringing details to the fore, pushing extremes of speed and dynamics a degree further than usual – how breathtakingly quiet, for example, was the choral singing of the "Kyrie eleison."

It may be that some of the speeds were a touch too slow for the singers, which would explain why Keith Lewis's otherwise well-projected Gerontius broke up a number of phrases and why Gwynne Howell managed more successfully in his second solo than the first. The unexpected pleasure of the evening was Kathleen Kuhlmann, who took over the role of the Angel from Alfreda Hodgson at the last moment and brought all her music to life with marvellous spontaneity.

Otherwise the best moments came in the choruses, for which the Philharmonia Chorus seemed to have been well prepared. Ensemble, admittedly, was not beyond reproach, but details of word-pointing and accent were everywhere in evidence. The Demons' Chorus positively teemed with strange and devilish sounds in the orchestral parts. It was not Boult's way, but Andrew Davis does make you hang on every note and that has its own virtues in Elgar.

**Richard Fairman**

# ARTS GUIDE

**April 7-13**

OPERA AND BALLET

**London**

**Royal Opera, Covent Garden.** *La clemenza di Tito*, one of the Royal Opera's most admired Mozart productions of the postwar period, returns with its original conductor, Colin Davis. Stuart Burrows takes the title role, and the cast also includes Carol Vaness, Anne Sofie von Otter and Anne Mason. Luchino Visconti's famous 1958 production of *Don Carlos* is given a noble last-ever revival.

**English National Opera, Coliseum.** *Eugene Onegin*, an opera not previously given by the ENO at this theatre, is produced by Graham Vick and conducted by Mark Elder, with Jonathan Summers in the title role and Marie McLaughlin as Tatyana. More performances of Jonathan Miller's dark, handsome staging of *Don Giovanni*, with Steven Page in the title role, Rita Cullis as Anna, Elizabeth Hynes as Elvira and Jane Glover as conductor; and of the first-ever Coliseum *Falstaff*, produced by David Pountney.

**Milan**

**Teatro alla Scala.** A repeat of Giorgio Strehler's production of Mozart's *Don Giovanni*, which opened last year's season, conducted by Riccardo Muti. The cast includes Ferruccio Furlanetto, Edita Gruberova, Mariana Nicolesco (alternating with Ann Murray), Sergej Koptchak, Susanne Mentzer, Claudio Desderi and Natale de Carolis. Michael Hampe's production of *Così fan tutte*, with Daniela Dessi, Adelina Scarabelli, Delores Ziegler and Claudio Desderi (80.91.26).

**Rome**

**Teatro dell'Opera.** The Opera's ballet company dancing the La Scala production of John Cranko's *Taming of the Shrew*, with Paola Catalini and Raffaele Paganini, conducted by Alberto Ventura (461755).

**Parma**

**Teatro Regio.** Alban Berg's *Wozzeck* conducted by Gunter Neuhold in Claude d'Anna's production, with scenery and costumes by Giancito Burchellaro. David Pittmann-Jennings sings the title role, and also in the cast are Robert Dume, Neil Archer, Stuart Kale and Edda Moser (795678).

**Naples**

**Teatro San Carlo.** Beppe Menegatti has gathered a splendid cast to celebrate the centenary of the legendary Nijinsky's birth: extracts from *L'apres-midi d'une Faune*, *Le sacré du Printemps*, *The Sleeping Princess* and *Raymonda*, grouped together under the title, Nijinsky – memories of youth, danced by Carla Fracci, Ekaterina Maximova and Vladimir Vassiliev (Bolshoi) and Erik Vuan (7972412).

**Amsterdam**

**Muziektheater.** The National Ballet in Peter Wright's adaptation of Petipa's *Sleeping Beauty*. The Netherlands Opera with Rossini's *Il Barbiere di Siviglia*, designed and directed by Dario Fo. Stephen Barlow conducts the Netherlands Philharmonic, with David Malis as Figaro, Louise Winters as Rosina and Douglas Ahlstedt as Count Almaviva (255 455).

**Vienna**

**Staatsoper.** In repertory: *Il Barbiere di Siviglia*, conducted by Ion Marin and sung by Martine Dupuy, Nicolae Ghiaurov and Bruno Pola. *Eugen Onegin* is conducted by Mark Ermler, with a cast including Gertrude Jahn, Rohangiz Yachmi and Heinz Zednik. *La Forza del Destino*, conducted by Garcia Navarro, is sung by Eva Marton, Waltraud Winsauer and Juan Pons. Ballet: *Raymonda* conducted by Caspar Richter(51444, ext. 2660).

**Volksoper.** In repertory: *Die Zauberflöte* conducted by Konrad Leitner; *Die lustige Witwe* conducted by Rudolf Bibl; *Così Fan Tutte* conducted by Bruno Weil; *Tiefland* conducted by Diefried Bernet; *La Bohème* conducted by Ernst Maerzendorfer; *Gasparone* conducted by Rudolf Bibl; *Kiss me Kate* conducted by Konrad Leitner (51444. ext. 2662).

**Hamburg**

**Staatsoper.** Wolfgang Rihm's opera *Die Hamletmaschine*, produced by John Dew and premiered last week is an important contribution to the development of modern opera. *Fidelio*, conducted by Nicolaus Harnoncourt features Ana Pusar, Krisztina Laki, Harald Stamm, Matthias Hoelle and Josef Protschka. *Cav and Pag* stars Julia Varady, Giorgio Lamberti.

**Frankfurt**

**Opera.** *Tosca* returns with Galina Kalinina in the titlerole, Seppo Duohonen (Cavaradossi), Robert Hale (Scarpia) and Franz Meyer. *Der Barbier von Sevilla* is well sung by Zehava Gal, Michal Shamir, Bodo Schwanbek, Rodney Gilfry, and FranzMayer. *Dido und Aeneas* is a well done repertoire performance.

**Cologne**

**Opera.** *La Traviata* brings Maria Spacagna, Fernando de laMora and Brent Ellis together. Cologne honours the great producer Jean-Pierre Ponnelle, who died last year, by restaging the complete Mozart cycle of seven operas, all produced by him. This week's performance includes *Die Entführung aus dem Serail* with a strong cast led by Mariella Devia, David Kuebler and Martin Finke. *Faust*, sung in French rounds off the week.

**Stuttgart**

**Opera.** *Dornröschen* has wonderful Marcia Haydeechoreography. *Andrea Chenier* brings Giorgio Lamberti, GabrielaBenackova-Cap, Helene Schneidermann and Raymond Wolansky together. *Fidelio* has a strong cast led by *Lisbeth Balslev, Wolfgang* Schoene, Sonntag and Wolfgang Probst. Further offered *Die Entführung aus dem Serail* and *Jenufa*.

**New York**

**Metropolitan Opera.** Benjamin Britten's *Billy Budd* continues with Thomas Allen in the title role, James King as Captain Vere and Jan-Hendrik Rootering as Claggart, conducted by Thomas Fulton. Sumi Jo replaces Hei-Kyung Hong as Gilda and Leo Nucci continues in the title role of *Rigoletto*, conducted by Nello Santi. Lincoln Center Opera House (362 6000).

**Washington**

**American Ballet Theatre.** While Mikhail Barishnikov performs in *Metamorphosis* on Broadway, his company premieres his new staging of *Swan Lake* as part of their mixed spring repertoire. Ends April 16. Kennedy Center Opera House (254 3770).

**Tokyo**

**Hamburg Ballet.** *As You Like It*. Tokyo Bunka Kaikan (Wed,Thurs) (369 9999).

SALEROOM

# Disappointment at $3m

Now that the dust has settled on the record breaking sale of 301 watches, all made by Patek Phillipe, organised by Hapsburg Feldman in Geneva on Sunday evening, some second thoughts are in order. The auction, which dragged on for over four hours, was, in total, a great success, bringing in $15.2m (£9.25m), a record for a watch sale and for any auction held by Hapsburg Feldman.

But the main attraction, a timepiece known as the Calibre 89 and created by Patek Phillipe over the last decade to celebrate its 150 years as leading watchmakers, was a disappointment. It achieved a record auction price for a watch of $3m (£1.6m), but before the sale there were high hopes of a sum nearer $5m, so great had been the excitement in the watch world, gathered in Switzerland *for this week's Basle Fair*.

The watch is remarkable, with only three acknowledged historical rivals. Its 33 "complications," that is horological functions other than simple time keeping, are mouth watering features to the watch community, and its marketing in recent months has attracted tremendous publicity to Patek Phillipe, which has already embarked on the lengthy programme of making three similar timepieces. And yet Patek Phillipe had offered $3m last year for a watch it had made around 1930, and given the widespread international interest in top watches the final bid, from a South American buyer, was an anticlimax.

The watch has been designated the Suma, after the Japanese for Bear, by its new owner, and it is possible that its home will be Japan. Expensive watches have become popular as an investment hedge against a world recession, and the main feature of the auction was the prices paid for other important watches such as the $484,800 for an 18 carat gold pocket chronometer which won first prize at the 1921-22 timing contest.

Sotheby's secured an auction record price for a complete Qur'an yesterday when a large Safavid Qur'an produced around 1550 sold for £115,500. With alternating blue and gold script it is probably from a royal workshop. Ironically Sotheby's sold a single giant page of a Qur'an for £149,500 last year. The sale of oriental manuscripts and miniatures was a success, totalling £532,119, with less than 10 per cent unsold.

The highlight of Sotheby's 19th century picture sale on June 20 is a view of the Val d'Aosta in the Alps by Pre-Raphaelite John Brett, expected to make over £750,000.

**Antony Thorncroft**

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# Gatt: now for the hard part

COMPLETION of the mid-term review of the Uruguay Round of multilateral liberalisation talks has pulled the trading system back from the brink of disaster. Had the necessary agreement not been forthcoming in Geneva last weekend the multilateral system would have been imperilled and the General Agreement on Tariffs and Trade (Gatt) would have quickly become a lame duck.

Yet relief at the outcome must not now give way to complacency. The Round had been stalled since last December's abortive trade ministers' meeting in Montreal; its resumption does not mean that protectionist pressures will diminish overnight. Its second half will also be much harder than the first. So far, talk has concentrated on purely conceptual issues and negotiating parameters. Very soon, hard bargaining over concrete detail has to begin.

It would have been tempting for Gatt to use the Geneva meeting to paper over the cracks and produce an empty agreement designed simply to prevent the Round from collapsing. What was needed was a deal that would also maintain Gatt's credibility. Despite 10 whole days of talks, negotiators only just succeeded in this objective. A feature of their package is that several of the most difficult decisions have simply been shelved for the future.

### Loosely worded

The talks on textiles, for example, fudged the question of when and whether the notorious Multifibre Arrangement which governs this trade would be unwound. Those on intellectual property pushed to the end of the Round the question of whether the Gatt or the World Intellectual Property Organisation, which the US dismisses as a developing country cipher, should be responsible for applying any new rules that are agreed. The modest short-term result on farm reform was a loosely worded standstill on support and a vague commitment to reduce some supports next year.

Much thus depends on how conscientiously negotiators now apply themselves to their restated objectives. In the key area of farming, hopes that they will live up to their commitment to fundamental long-term reform are strengthened by the specific work plan set out in the new agreement. It will be hard for any participant to wriggle out of a schedule that calls for a detailed programme of long-term reform to be ready for implementation as soon as the Round is over at the end of 1990.

### Real concerns

Keeping to this timetable on agriculture may be made easier by the higher prices now being realised on world markets for farm products. Similarly, the broader prospects for the Round as a whole ought to be enhanced by the buoyant performance of world trade over the last couple of years. Yet despite this favourable immediate backdrop some very real concerns remain.

At some stage between now and when the Round is complete in two years' time, the US will have to confront the need to deal with its trade deficit. This will be a painful process involving economic slowdown or even recession which will add to the appeal of managed trade and encourage aggressive use of last year's trade legislation.

The chances are small that a reduction in the US deficit will be met with a symmetrical adjustment in the surpluses of West Germany and Japan. There is a risk that it could instead see a deterioration in the national trading performance of individual European Community countries which would serve to fuel protectionist pressures in the run-up to the launch of the single market in 1992. In such circumstances international commitment to the Uruguay Round could easily crumble.

This is not to belittle last weekend's achievement. It is encouraging and owes much to the patience and skill of Mr Arthur Dunkel, Gatt's Director General. After the talks were over on Saturday night he told journalists that now was not a time to relax. He was right. Completing the mid-term review was not an end in itself. It simply marks the start of the Uruguay Round's really difficult phase.

# Critical test for Namibia

The fighting in northern Namibia, accompanied by widespread criticism of the UN Transition Assistance Group (UNTAG), is overshadowing a development of great long-term significance for the region.

In spite of everything, the superpower *rapprochement* over southern Africa, which paved the way for last December's pact linking independence for Namibia with the withdrawal of some 50,000 Cuban troops from Angola, has emerged unshaken. From the first disastrous hours of Namibia's transition to independence, to the ceasefire negotiated last weekend with the help of senior officials from the US and the Soviet Union, there has been no dispute between the superpowers, either over where to attach blame, or how to ensure that the settlement is implemented. Above all, they have retained the confidence of leaders in the key capitals – Pretoria, Luanda and Havana.

If the policy of pragmatic engagement adopted by Washington and Moscow can survive this baptism of fire, the prospects for a continuing constructive superpower role in the region are enhanced. The priorities are an end to conflicts in Angola and Mozambique. But the handling of the Namibian crisis could have improved the prospects for a successful superpower mediatory role in South Africa itself.

It now seems indisputable that Mr Sam Nujoma, leader of the South West Africa People's Organisation (Swapo), has made an appalling blunder for which nearly 300 members of his guerrilla army have paid with their lives. Notwithstanding his transparent denials, it is generally accepted that he ordered some 2,000 heavily armed guerrillas to cross into Namibia from southern Angola.

### Calculated breach

They may well have had no hostile intent. The purpose, it seems, was to gather under UN protection, establish bases in the territory, and sustain the fiction that Swapo had a permanent operational presence in the northern Namibian war zone. It was none the less a calculated breach of the agreements which make up the settlement pact.

The damage to Swapo's prospects in the forthcoming independence elections in November is probably slight. The organisation has an electoral stronghold among the Ovambo people, who make up around 50 per cent of the territory's population. Mr Nujoma's flawed leadership will be offset by the brutality of the South African army and locally recruited forces during the 23 years of war.

### Ill-equipped referee

The damage done to the standing of the UN is more serious. Its role in Namibia is, of course, dependent on the protagonists honouring the terms of the settlement. Nevertheless, UNTAG emerges as an ill-equipped referee, slow to arrive and poorly co-ordinated.

The problem stems in part from the ill-advised opposition by the Afro-Asian bloc at the UN to the reduction in the size of UNTAG. The US and the Soviet Union argued that the 7,500-strong force, envisaged when the independence plan began taking shape some 10 years ago, was too large. The successful independence transition from Rhodesia to Zimbabwe was supervised by a 1,200-strong Commonwealth force.

The argument was eventually won, and the force was reduced to 4,650. But valuable time was lost. As a result, less than 1,000 UNTAG members were in Namibia by April 1, the starting date for the transition.

Further tests of superpower collaboration and of the capacity of UNTAG are to come. The first is the implementation of the ceasefire terms agreed at the weekend. The second is maintaining the confidence of the South African, Angolan and Cuban governments over the coming months, when Pretoria's troops conduct a phased withdrawal from Namibia, and Cuban troops depart from Angola, over a longer period.

The most critical test is seven months hence, when the transition period culminates in independence elections. The exercise must end with a free and fair poll. With this accomplishment behind them, the superpowers will be better placed to offer their good offices to South Africa.

## Nick Garnett examines the merger between Rolls-Royce and NEI

# A merger of unequals

As Sir Francis Tombs announced the merger of two of the biggest names in British engineering yesterday, the chairman of Rolls-Royce uttered all the words of corporate congratulation that trip off the tongue at these events.

The two merging companies – Rolls-Royce and Northern Engineering Industries (NEI), the power station and materials handling equipment maker – were both great international companies, he said, with big exports, excellent products, superb product names and huge skill and research bases.

A listener might have thought he was talking about a merger of equals. The physical arrangement of the platform told a different story: Sir Francis was in a commanding position at centre stage of proceedings, with the microphone placed right under his nose; Mr Terry Harrison, NEI's chairman, was to his side, playing a secondary role.

In the merger, as at the press conference, NEI will be firmly in the back seat. It will keep its own name, and its own headquarters in Newcastle, but its autonomy will be reduced to the level of that enjoyed by Rolls' Derby-based military and civil engine wings, run from an overall corporate headquarters in London.

The significance of yesterday's agreed deal, worth £306m, lies not just in the relationship between the partners, nor in the size of the new company. Size is certainly substantial: Rolls-Royce has 40,000 employees, with 12 manufacturing sites in Britain, and sales of £2bn last year; NEI employs 21,000 in 24 plants and last year had turnover of £724.

These factors aside, the deal is important because it resolves a number of questions about the direction some important sectors of British industry will take in the next few years. At the same time, new questions arise on the benefits of the deal for the two participants, for the UK economy, and for the two companies' many joint venture partners.

The biggest question to which the merger supplies an answer is that of Rolls-Royce's strategic direction. The deal with NEI appears to be the first step in a long process of fundamental change that will turn the aero-engine maker into a broader industrial company.

Since 1971 – when Rolls ran into trouble with the development of the RB211 engine, was rescued by the Government, and had to suffer the enforced sale of its motor car business – it has been a one product company. Virtually every penny it makes comes from gas turbine engines, mostly for civil and military aircraft.

Sir Francis, who became chairman in 1985, has been eager to break out of this product cul-de-sac. The company has been notching up big engine orders, and has been improving its access to the US civil aviation market. But it commands only about 5 per cent of world civil aero-engine sales, making it a minnow compared with its two big US-based competitors, General Electric and United Technologies' Pratt and Whitney. And heavy development costs are on the way for the RB211's 524L derivative.

To buttress itself, Rolls has been looking for other businesses to purchase. It first started talking to NEI, in which it had taken a 4.7 per cent stake, last year, but talks broke down at Christmas. Sir Francis Tombs made it clear yesterday that Rolls would be hoping to buy or merge with other companies once the digestion period with NEI is over.

Sir Francis referred yesterday to the diversified character of its US competitors. "We would seek to emulate these," he said. Rolls still has a long way to go. The purchase of NEI will take Rolls into mainstream power station building (power generation is 70 per cent of NEI's business) and materials handling, including cranes, shiplifts and diesels. However, Rolls would still have about two thirds of its business in aero engines, compared with 17 per cent for GE and 33 per cent for United Technologies. And GE's businesses all rank first and second worldwide in their industries; neither Rolls nor NEI can make such a claim.

A second question that the deal resolves is over the structure of the UK's power engineering industry. In the 1970s, there were two turbine generator manufacturers (Reyrolle-Parsons and GEC); and two boiler makers (Clarke Chapman and Babcock International). Civil servants were keen to encourage two mergers that would produce one strong company in each side of the industry. But regional and corporate hostility scuppered these plans, and the two north-east companies, Reyrolle-Parsons and Clarke Chapman, merged instead to form NEI.

Yesterday's merger lays to rest hopes of undoing that 1970s decision; the UK will enter the 1990s with two power engineering groups at a time when the world industry is rushing into mergers on a vastly greater scale. Britain's GEC, for example, is to pool its power engineering and some of its other activities with Alsthom of France, creating a counterweight to the other European electrical power engineering bloc, the Swedish/Swiss Asea Brown Boveri.

Unless GEC were to launch a bid for Rolls at some future date, the chances of a single British power engineering company have now been greatly reduced.

In another part of the changing jigsaw of European power engineering, however, the deal between NEI and Rolls has a role to play. Rolls has 185 customers for gas turbines used in small power plants and to pump oil and gas. One attraction of the merger is the ability to offer more complete packages than either company can supply at the moment. NEI does not make gas turbines, though it sells Mitsubishi industrial units, but it has the skills to take contracts for complete power stations.

Rolls gas turbines can be linked up with NEI's steam turbines for so-called co-generation plant. Such power stations – and pure gas turbine plants – are expected to become far more common both in North America and in Europe. This trend is particularly likely in the UK, after electricity privatisation.

Mr Harrison said yesterday NEI was still talking to two other European electrical groups on possible joint ventures. The merger with Rolls would strengthen NEI's position to secure such deals, he said.

A third issue resolved, at least in part, is whether the north-east could continue to retain the headquarters of an independent international company. Despite the historical strengths of its component companies, NEI has failed, in the 12 years since its formation, to make the wider breakout into the world market necessary to secure such a future. It has secured some impressive orders, but has tended to come second to GEC. It has gone through two harsh rationalisation programmes in the 1980s, and slashed its workforce. It has got into, then out of a range of new businesses.

Yesterday, both Sir Francis and Mr Harrison said the move between the two companies was not defensive. But NEI on its own is just a small independent power equipment maker outside the tide of electrical engineering mergers.

New questions now arise, however, which the merger announcement alone is not enough to answer. It is not yet clear what impact the deal will have on the two companies' many partners, particularly Mitsubishi. The Japanese company now supplies industrial gas turbines to NEI. But it is a potential competitor on power plant with both Rolls-Royce and NEI.

Another question surrounds the possibility of long term rationalisation of NEI's business. Sir Francis Tombs says Rolls will help to continue development of NEI's core businesses. There are no plans for rationalisation as a result of the merger, he says, and NEI will keep its own culture. Whether, in the long run, Rolls will want to keep all of NEI's operations must be a moot point. And a question mark also hangs over the promises of independence for NEI. "I think there is no reason for Rolls to interfere but if NEI managers do not produce the goods Rolls would probably want to take more control," said one analyst yesterday.

The main issue, though is whether this deal between two companies with almost no product overlap gives them what they want. From NEI's point of view, Rolls is certainly not the kind of partner other European electrical engineering companies have sought. Mergers in Europe have largely been among similar companies, designed to give them greater bulk.

From Rolls' point of view, NEI is the first step in a diversification programme; but it offers hardly the most attractive sector into which to diversify, nor the most attractive partner. It is not a dominant producer in any major product area. It has recently signed deals to take products or technology from Mitsubishi group companies in rail traction, switchgear and gas turbines, and from MTU of Germany in big diesels. These have commercial logic – but they are partly a reflection of technological weaknesses. And last year, NEI sold 35 per cent of its boiler-making business to International Combustion of the US.

Reflecting these uncertainties, reaction to the deal yesterday from some City institutions was not favourable. From the two companies' directors and employees, however, the response ranged from guarded optimism to near euphoria. Rolls-Royce and NEI will have to prove in the next few years just how well-founded those sentiments will prove.

**Rolls-Royce**

Chairman: Sir Francis Tombs.

Founded 1906 to make cars; first aero-engine 1915.

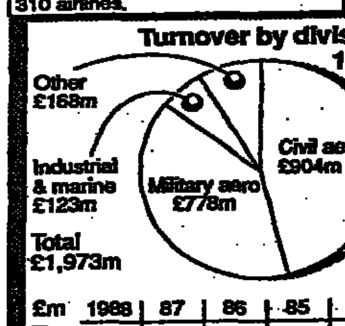
Privatised May 1987, 16 years after bankruptcy & nationalisation. Cars now part of Vickers.

70% of sales outside UK, but UK government is single most important customer.

End-1988 order book: £4.1bn, since then, two £1bn orders (American Airlines, Cathay Pacific).

Aero engines in service with 310 airlines.

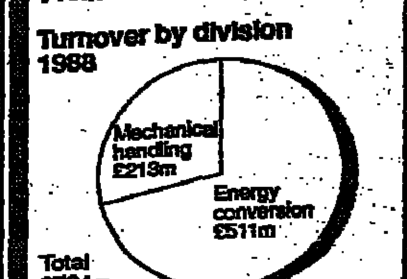
Turnover by division 1988



| £m | 1988 | 87 | 86 | 85 | 84 |
|---|---|---|---|---|---|
| Turnover | 1,973 | 2,059 | 1,802 | 1,601 | 1,409 |
| Profit | 333 | 347 | 273 | 211 | 162 |

| £m | 1988 | 87 | 86 | 85 |
|---|---|---|---|---|
| Turnover | 724 | 805 | 938 | 890 |
| Profit | 39 | 32 | 23 | 41 |

Turnover by division 1988



Chairman: Mr Terry Harrison.

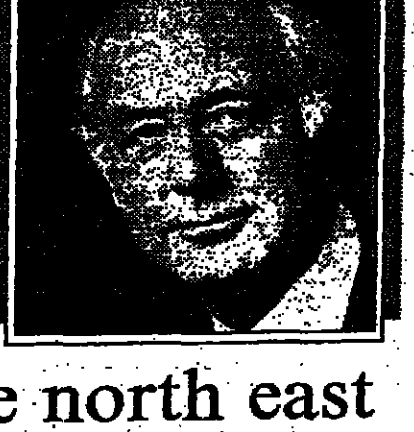
Formed in 1977 from merger of Clarke Chapman (boilers) and Reyrolle-Parsons (turbine generators).

1988 orders were £862m, highest in recent years.

Rolls-Royce bought 4.7% of shares in 1988.

Slightly below half of sales are outside UK. Plants overseas in N.America, South Africa, and Australasia.

**NEI**



# Pride of the north east

Mention the word takeover to Mr Barney McGill in connection with yesterday's marriage of Northern Engineering Industries (NEI) and Rolls-Royce and you will get a sharp rebuke.

"It's not a takeover, it's a merger," snaps Mr McGill, union convenor at the NEI Parsons plant in Heaton, Newcastle.

For Mr McGill – as indeed for north easterners in general – it is an important distinction and one which helps to explain why most people in the area gave a cautious welcome to the partnership announcement.

For years there have been fears that NEI might be swallowed up by a company with plans for rationalisation. There was therefore considerable relief yesterday that Rolls-Royce intends to leave intact both the company's headquarters – NEI will be a separate operating company, run from Newcastle – and its workforce.

Like most manufacturing companies, NEI has shed large numbers of workers during the last decade but it still has 8,000 employees in the north east, making it by far the biggest private sector employer in the area.

But it is more than just size which secures the NEI's place in the north east's affections. The company has its roots in the 19th century, when the region was at its industrial peak, and those who had a hand in its development included Charles Parsons, inventor of the steam turbine generator, and Alfons Reyrolle, a Frenchman who considered Tyneside a more industrially appropriate base for his electrical switchgear company than London, where he founded it.

Today, the region's famous sons – like Mr John Hall, who conceived the MetroCentre retail and leisure complex in Gateshead – tend to be concentrated in service industries. But every diligent schoolchild learns about Parsons and Reyrolle.

This, together with NEI's success in maintaining a reputation for excellence at a time when other traditional industries like coal and shipbuilding have declined, helps to explain why the company has retained its role as a prestige employer – last year, NEI Parsons had 10 applicants for each of the 37 apprenticeships it offered.

Mr Jeremy Beecham, leader of Newcastle City Council, said yesterday that the merger was good news both for Newcastle and the north east. NEI was important to the local economy and combining with Rolls-Royce would keep it safe from predators with intentions of closing down factories.

Mr McGill said he and his union colleagues would be seeking more concrete assurances on future job security. But he added that they drew comfort from the fact that the Rolls-Royce and NEI operations appeared to complement, rather than duplicate, each other.

**Michael Smith**

# *OBSERVER*

## The right spirit

■ Will whisky always be little more than a beer chaser at the Mucky Duck? Or, as Tony Greener hopes, will it become *chic* like Cognac?

On this simple question turns the fortunes of a new strategy being distilled at Guinness, the drinks giant. Greener was promoted last week to the become group managing director, in charge of United Distillers, the group's spirits division and the world's biggest whisky producer.

Greener was appointed to run United Distillers by Anthony Tennant in 1987 when Guinness was still reeling from the ill-fated takeover of Distillers and the downfall of Ernest Saunders, the group's former chairman and chief executive.

Having put Guinness on a solid footing, Tennant is now looking to the future. What he sees from his new and exalted position as chairman and chief executive is not entirely reassuring.

The world spirits market is static if not in decline and if, as some people predict, the health lobby persuades enough of us that drinking is as bad as smoking, groups like Guinness have two course of action open to them. The first is to diversify. No doubt Tennant is thinking about that.

The second is to charge more for whisky to offset the relative decline in volume. That is where Greener comes in.

Greener has no previous experience of selling alcohol but he may not need it. He is an astute marketeer with a winning manner and just the right touch of class, like a good malt whisky.

As managing director of Dunhill Holdings, the luxury products group, he marketed everything from cigarette lighters to expensive clothes.

Greener is also Guinness's appointee to the board of Möet Hennesy-Louis Vuitton (LVMH), the luxury French drinks and luggage group. He says "I don't sell whisky. I sell luxury."

There is a great deal at stake. UK whisky exports amount to over £1bn and now that the Japanese have lifted their discriminatory taxes on the product there is the opportunity of breaking into the Far East market in a big way.

Greener also appears to be heir apparent to Tennant. If he does well he would be well-placed to take over.

## Double vision

■ Double-standards are a funny thing. Pornography may be part of the basic diet offered to every Manhattan cable television subscriber, but a tame two-minute orgy scene in 'Scandal', the film about the Profumo Affair, has got the American censors reaching for their scissors.

The California-based Rating Board has given the film an X-rating for US audiences. This virtually guarantees that major cinema chains and television stations will not touch the film and many newspapers will not carry reviews.

The rating Board is overseen by the Motion Picture Association of America. A panel of parents watch the films and decide whether they would show them to their children. According to the MPAA. "There are no special qualifications for Board membership, except one must have a shared parenthood experience, and one must love movies".

Miramax, the co-producers and US distributors, have appealed to the MPAA and lost. They now has the option of accepting the rating, cutting the offending scenes for the US audience or taking the case to court. A legal battle would be long and expensive, an X rating would cut into profits, so the American audience will probably be treated to an orgy-less show.

*"Who's Hugh Trillo?"*

## Bright Reds

■ You could almost sense the collective sigh of relief. Basking in the reflected glory of last week's Gorbachev jamboree, British Communist Party candidates for the next Europarliament elections said the visit was a tonic to their campaign, launched yesterday .

No more Stalin, no more Afghanistan, no more lost deposits. The Cold War is Over, proclaimed a banner headline in 7 days, the Communist Party Weekly.

"It's given us a real boost", said Nigel Power, the 28 year-old fresh-faced candidate for London South. "There is tremendous interest in the Soviet Union. Voters see us as people now and not red nuts. They actually talk to us."

Gordon McLennan who is due to retire as general secretary at November's party congress after after 14 years at the helm was less gushing. "Undoubtedly the Gorbachev visit and the whole process gives a different image to communists outside the Soviet Union. But I would sound the cautionary note that we need to be less concerned with the Soviet Union's image than our own policies and getting them across."

Was the old campaigner merely being sensibly cautious or is this en ever-so-tiny-schism I see before me?

## Supermanager

■ Gillian Warne, a senior secretary with the ESAB group, has come up with a "True Company Analysis" which I commend to students of this arcane science.

Writing in the spring issue of the magazine "Office Secretary", Warne says it is easy to tell the difference between managerial types. The chairman or president can leap tall buildings with a single bound, is more powerful than a locomotive, faster than a speeding bullet, walks on water and mulls policy over with God.

All other men are lesser mortals. The chief executive can only manage to leap short buildings, while the operations director needs a short run to get over even smaller ones. The former is as fast as a speeding bullet, while the latter can just about fire one. They both talk to God, though the latter does so only when in possession of a special chit.

The general manager, who can barely clear little huts, gets run over by locomotives, and can sometimes handle a gun without suffering self-inflicted injury. With no access to God, he is reduced to talking to animals.

The purchasing manager runs into buildings, cannot be issued with live ammunition, has a tendency to drown and talks to the walls.

Warne says that only one person is better - catching speeding bullets in the teeth and freezing water with a single glance. That person is, of course, the secretary in charge of the management suite. She would, wouldn't she?

**Alain Cass**

John Lloyd gives a wider perspective to events in Tbilisi, Georgia

# Lid on a bubbling cauldron

The nature and depth of events in Tbilisi over the weekend are masked from those in Moscow. A curfew has been imposed and reports in the Soviet press are of the briefest. It seems no foreign reporters are in the Georgian capital and an immediate ban was slapped on their travel yesterday while always inadequate phone lines are jammed. No reports – either official or unofficial – are verifiable.

The official reports, via the Tass news agency, maintain that 17 or 18 people died in clashes between interior ministry troops and demonstrators early last Sunday morning. The Tass report builds up a picture of a wild and rebellious crowd, chanting nationalist, anti-Soviet and anti-socialist slogans, carrying sticks and knives and threatening "death to the communists." When troops were, reluctantly, ordered to clear the area, 17 or 18 demonstrators were killed in the mêlée.

Yesterday, the streets of the capital were said to be calm, and people at work. The Soviet Communist Party, the Supreme Soviet and council of ministers have sent their condolences to the relatives of the dead and an inquiry has been set up.

However, unofficial versions of the story describe a minor massacre. They say that at least 30 people were killed immediately after an uncontrolled charge by troops in the early hours of Sunday. Militia who tried to intervene were also killed – though an initial figure of 11 dead is now thought too high. Two separate sources attest to soldiers attacking the militia.

The most horrific report comes from Mr Karlo Bardanidze, a member of the Georgian national democratic party, who managed to talk on the telephone yesterday to the dissident magazine, Glasnost, in Moscow.

He told editorial staff that 150 people had died in or been taken dead to the city hospitals, that a student demonstration early yesterday morning had been fired on by troops and that some 40 bodies had been left on the street – dead or wounded.

He said demonstrators had armed themselves with Molotov cocktails, that a number of nationalist leaders had been arrested, but that demonstrations were continuing nevertheless and that almost all plants and offices were closed. Separate agency reports talk of firing during a student demonstration, but say the shots were fired in the air.

Even if the detailed events are unclear, it is at least possible to set the Tbilisi events in a series of perspectives. The broadest of these is the growth of nationalist movements in nearly all the Soviet republics as new groups and parties, seeking greater autonomy or calling for complete independence, reach back into their past to find a pre-Soviet independence and project that vision into the future.

In the Baltic republics, autonomy or independence candidates won the majority of seats for the new Soviet parliament in last month's elections. But in Georgia, the various nationalist groups put up no candidates of their own – though they gave support to Mr Aki Bakhradze, a communist party member who called for republican independence, a Georgian national army, bank and police force.

Georgians have retained as much nationalist feeling as any of the Soviet Union's many nationalities, though they contributed the most famous of all Soviet leaders – Joseph Dzhugashvili, or Stalin.

Over the past 30 years they have given vent to nationalist outbursts whenever they felt threatened by the Russians. A demonstration against Russification in 1956 was fired on by troops with loss of life. In the 1970s, the issue of language and culture arose again and a mass demonstration was held on April 14 1978, in support of the Georgian language – a date due to be commemorated by demonstrations this Friday, April 14.

After a quiescent period in the early to mid-1980s, glasnost seems to have encouraged the growth of a number of unofficial nationalist associations, many of which have been associated with the most recent demonstrations.

In October 1987, the Ilya Chavchavadze group was formed, named after a 19th century Georgian nationalist. The authorities reacted by forming an official Shota Rustaveli group, called after the Georgian national poet. (Ironically, control seems to have passed out of the authorities' grasp: the chairman of Shota Rustaveli is now Mr Akui Bakhradze, the man supported by nationalist groups).

In August last year, the national democratic party – described as more extreme than the Chavchavadze group – was formed. It has attracted a younger generation of the Georgian intelligentsia, and is uninhibited about its calls for independence.

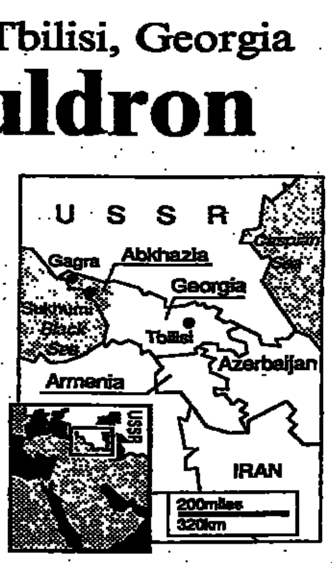
The veteran of these struggles, now reportedly under arrest, is Mr Zviad Gamsakhurdia who, with his associate Mr Merab Kostava, has been at the heart of nationalist dissent and constantly persecuted for it (he was imprisoned for three years after the 1978 demonstration). He was active in a group for the defence of human rights, chronicling alleged breaches of rights under Mr Eduard Shevardnadze, the Soviet Foreign Minister, when he was Georgian party leader. He founded the Chavchavadze group, and has for some years run the Helsinki watch committee.

Since last August, the national democratic party has organised a series of demonstrations and hunger strikes – including one of 100,000 people outside the Tbilisi opera house on November 12 protesting against the new draft Soviet constitution which circumscribed the right of republics to secede from the union. Later demonstrations swelled to 200,000 – and, in the event, the Georgian Soviet voted against the draft.

The Georgian authorities, led by Mr Dzhumber Patiashvili who succeeded Mr Shevardnadze as first secretary in July 1985, have shown little signs of glasnost in their approach. Witnesses to the police reaction to earlier demonstrations were amazed at the immediate force used and propaganda against the nationalist groups has been unsparingly harsh.

Included in the national democratic party's slogans – and not much attended to at the time – were protests against the discrimination visited on Georgians by, among others, Abkhazians in the Abkhaz autonomous region in the south of Georgia. Because the Abkhazians are native to the region, Georgians allege that they are given preference in top job selection. It is this strand of their platform which has sparked the current wave of demonstrations.

The process in Georgia has been likened to the case of



Nagorno Karabakh, the Armenian enclave in Azerbaijan whose demand for secession sparked off anti-Armenian riots in Azerbaijan last year resulting in over 90 dead and thousands of refugees fleeing across borders in both directions.

At the end of last month, demonstrations were held in the Abkhaz towns in support of the region's secession from Georgia. On April 1, some 2,000 Georgians held a counter demonstration in the Abkhaz town of Lesilidze. Last week, a further counter demonstration was held in Sukhumi, the Black Sea resort which is also the Abkhaz capital. (The Abkhaz case would seem to be a hopeless one: simply because, unlike the Karabakh Armenians, who are a majority, the Abkhaz are a 20 per cent minority on their own land.)

The demonstrations started once more in Tbilisi last Friday, building up to the killings of Sunday morning.

These two republics – uneasily quiet in the four months since the Armenian earthquake, and since Karabakh was placed under central control – make up, with Georgia, the Soviet Transcaucasus. It is as complex a region as exists in the multinational Soviet empire: a criss-crossing of religions, languages, scripts, ethnic groups. It is the result of the tug of empires and civilisations of East and West since pre-Christian times.

The lid which is Soviet power has been shut tightly on this cauldron for nearly 70 years. It seems that this power *has reasserted itself in the* harshest fashion in the past few days. But does it have the will to continue to bear down on forces which are likely to gain from martyrdom?

*FOREIGN AFFAIRS*

# A divided stand in Lebanon

**Edward Mortimer** assesses the Maronites' belief in a deus ex machina to restore their power

Most people in Britain long ago gave up worrying about Lebanon, except as a place where two or three British subjects have the misfortune to be held hostage by obscure Moslem militias under Iranian influence.

But in France it is still a political issue. The government is under attack from the conservative opposition for leaving "Christian Lebanon" to its fate, and is clearly sensitive to the charge.

There's a history behind this, of course. The Maronite Christians of Lebanon have looked to France as their protector since the time of Louis XIV. In 1860 Napoleon III came to their rescue. In 1920 the Third Republic, mandated by the League of Nations to govern Syria, carved out of it an Etat du Grand Liban in which the Maronite mountain heartland was padded with surrounding areas, populated mainly by Moslems.

The French aim was to make Christian Lebanon a stronger and more viable entity, but seldom has chalice been so poisoned. The Maronites were condemned to share with fellow-citizens who viewed them with suspicion, and by whom they would eventually be outnumbered, a state whose very existence was an anomaly and a provocation to its closest and largest neighbour.

As if that were not enough, Lebanon found its other immediate neighbour the theatre of one of the modern world's most intractable national conflicts, which soon spilled over both physically (in the shape of refugees) and ideologically, in that differing reactions to it became an additional factor of division between the Lebanese communities.

In an age of nationalism, most of the Maronites became Lebanese nationalists, adopting the expanded Lebanon as their *patrie*. But for many of the Moslems a wider Arab nationalism took priority. The rulers of Syria encouraged this, never seeking the formal annexation of Lebanon but using divisions among the Lebanese as a means of asserting their hegemony.

The present ruler of Syria, President Hafez Assad, has far surpassed his predecessors in staying-power, in ingenuity, and in ruthlessly single-minded pursuit of his objectives. He first sent his army into Lebanon in 1976, not to attack the Maronites but to thwart the designs of their Lebanese and Palestinian enemies, who seemed on the brink of victory.

Whether he was actually invited by the Lebanese government, as he has often since claimed, is doubtful: he has never produced documentary proof. But certainly his action was welcomed at the time by Maronite leaders, who took advantage of it to consolidate their enclave in east Beirut and the coastal strip immediately northward.

Ever since then the Maronites have defended that enclave against all kinds of pressure, including several weeks of vicious Syrian shelling in October 1978. Their ability to maintain their independence in this "Marounistan" has long been clear.

But their leaders have never been satisfied with it; they have always aspired to reconstitute the Etat du Grand Liban, and they have never accepted that the price of doing so, given present demographic

**France aimed to make Christian Lebanon stronger, but seldom has chalice been so poisoned**

and political realities, is bound to be a bigger share of power for the other communities and a tacit recognition of Syrian hegemony.

The Maronites are cursed with an ineradicable illusion: the belief in the *deus ex machina*, an external saviour who will intervene to correct the local balance of forces in their favour. This has led them, even while proclaiming themselves the only sincere defenders of Lebanon's independence, to call one external power after another to intervene in its affairs. They welcomed France in 1860 and 1920, America in 1958, Syria in 1976, and Israel in 1982.

Each time the gamble has appeared at first to pay off. In 1982 the Israeli invasion smashed the Palestinian power base in the south, forcing the Syrians to retreat and eventually securing the removal of PLO forces from Beirut. The timing was influenced partly by the need to elect a new president. An office which had become largely symbolic was suddenly invested with new significance, and Bashir Gemayel – the toughest of the Maronite warlords and the one most closely allied to the Israelis – was duly elected. But Lebanese reality soon reasserted itself: before he could take office, Bashir Gemayel perished in a explosion at his party headquarters.

Elected in his place, his brother Amin turned to a new *deus ex machina*: the US-led "multinational force." Like the Israelis before them, the Americans found themselves caught up in the Maronite fantasy of a "legitimate" Lebanese state whose authority could be restored.

Amin Gemayel and George Shultz, then US Secretary of State, negotiated the Lebanese-Israeli agreement of May 17 1983, each fondly relying on the other to overcome the inevitable Syrian veto. Neither understood, until much too late, that this simply ensured a common interest between Syria, determined to break the agreement, and the Lebanese Druze and Shiites, determined to resist what they saw as an attempt to reimpose Maronite rule over all Lebanon.

France, which should have known better, allowed itself to be caught up in the tragedy. More than 50 French soldiers were blown up in their barracks by a suicide bomber in October 1983, on the same day as 243 US Marines. (The Italian and the small British contingent, which had taken more care to remain neutral in Lebanon's intercommunal strife, escaped with their lives if with no great glory.)

Incredibly, a new Maronite leader seems now to be acting out the same disastrous fantasy. General Michel Aoun, appointed by President Gemayel on his last day in office last September as head of a provisional government which was immediately rejected by every Moslem leader, has not even the nominal authority over the whole country enjoyed by previous Maronite leaders who held the presidency of the republic. But that has not stopped him from setting out to "liberate" Lebanon – meaning in practice Moslem Lebanon – from Syrian occupation, and to unify the country by shelling Moslem and Druze areas.

He has been encouraged to do so by Syria's current isolation in the Arab world, and by generous arms supplies from Iraq. Once again it is external forces – Arab ones, ironically, but with desperate winks and nods to France and the superpowers – that the Maronites are trying to bring in to save Lebanon.

There is no need to doubt General Aoun's sincerity in believing that his struggle is that of all Lebanese. But certain harsh facts should be faced: Lebanon came to its present pass not because there was foreign intervention, but because there was never a united Lebanese will to resist foreign intervention. None of the Lebanese communities has put loyalty to the Lebanese state before its own sectional interest.

Most Lebanese Moslems do resent Syrian bullying, and many did applaud General Aoun when he cracked down on the Christian private militia ("Lebanese Forces"). That made him, from their point of view, a better Christian leader with whom their own leaders might be able to strike a deal. It did not give him any authority of his own over Moslem areas.

So his attempt to crack down in similar fashion on Moslem private militias was sheer megalomania; and the shells which have rained on both sides these last weeks, so far from uniting Lebanon against Syrian occupation, have divided it more bitterly than ever.

# *LETTERS*

## Private debt goes public

*From Mr Brian Durrant.*

Sir, Mr Nigel Lawson's ritual response to concerns about the UK's current account deficit is that it is a non-problem. Its counterpart is a shortfall of domestic savings relative to investment.

Since the Government is running a large budget surplus, the current account deficit is entirely a private sector phenomenon. In time this will eventually right itself; it is therefore not the Government's concern. Fair enough.

But the £1.2bn fall in official reserves in March (mostly Bank of England intervention) suggests that about half of the March current account deficit (say £1.5bn, at a guess) was officially financed. The implication is that the overseas private sector is unwilling to finance the UK current account deficit at prevailing exchange rates and interest rates.

The Chancellor will have to be more careful in his defence of the trade problem in future.

Brian Durrant,
*McCarthy, Crisanti & Maffei,*
*Hamilton House,*
*1 Temple Avenue, EC4*

## Support for ET

*From Mr Patrick Nicholls MP.*

Sir, I was intrigued by your Labour Editor's article (April 6) on research into employers' attitudes to employment training (ET).

He religiously reports a number of adverse reactions to the programme. What he does not say is that the research was carried out in the summer of last year, *three months before the programme started.*

The facts are that ET is now supported by a large number of employers, many of them household names, from a very wide range of industries. They include Sainsbury, Wimpey, Laing, ICI, Ferranti, Debenham and Kellogg. Within seven months it has grown steadily, and there are now 170,000 previously unemployed people in training. By any standards it is proving a high quality, successful programme, of a size that has not been seen in this country before.

Employers are realising this. That is why more and more are coming into the programme.

Patrick Nicholls,
*Parliamentary Under Secretary of State, Department of Employment,*
*Caxton House,*
*Tothill Street, SW1*

## CHP could be included in the UK's new electricity market

*From Mr David Green.*

John Hunt's excellent summary (April 6) of the environmentalists' concern with electricity privatisation omitted to mention the energy efficiency options long called for by the non-industrially based parts of the environmental lobby.

As Mr Cecil Parkinson, the Energy Secretary, has stressed, considerable scope exists to make more efficient use of the energy often needlessly lost from conventional power stations. The Central Electricity Generating Board (CEGB), in evidence to the Energy Select Committee, pointed out – as others have – that the new generation of combined cycle plants, particularly when taken to their next stage to become cogeneration units for heat and electricity, can achieve significant benefits for energy efficiency.

With over 80 per cent potential efficiency, such systems can make dramatic reductions in "greenhouse" gas emissions. Work done at the Open University has demonstrated that a reduction of about 10 per cent in the UK's contribution to global warming could be achieved by the use of a wide variety of combined heat and power (CHP) plant.

Clearly such CHP technology will not be viable everywhere after privatisation. However, with over 5,000 officially recognised potential sites for CHP in the UK, there is an opportunity to create new alliances between environmentalists and industry. Indeed, our negotiated changes to the post-privatisation electricity picture will, in themselves, create new openings for industry to "go green," in action beyond others' campaigning words.

However, the most significant challenge will be to the new regulators of a privatised electricity services industry. They will need to use the powers at their disposal to ensure that real opportunities can be taken by all the participants in the new electricity market.

David Green,
*Combined Heat and Power Association,*
*Grosvenor Gardens House,*
*35-37 Grosvenor Gardens, SW1*

## 'Too bad we had to destroy it to save it'

*From Ms Deborah Kraak.*

Sir, The proposed restructuring of the Victoria and Albert Museum purports to be for the good of that institution. Yet the first step in this process is the elimination of six keepers and assistant keepers, universally acknowledged to be the leading experts in their fields, who have maintained and furthered the reputation of the V&A as the premier decorative arts museum in the world.

I have read numerous articles in which Mrs Esteve-Coll and members of the board of trustees explain that their actions are fiscally prudent, carefully considered and done with the best interests of the museum at heart. For all the techno-managerial talk it comes down to one thing: the V&A has brutally removed its best scholars. This fact exposes the V&A to the amazement and ridicule of the international artistic and scholarly community.

Whatever anyone thinks of the new plan to separate keepers from the collections once in their care (I believe it to be absurd), it is foolishness to assert that the virtual dismissal of senior keepers and researchers is an action which will in any way improve the quality of scholarship at the V&A.

Common sense alone would dictate that these are the very people necessary to the implementation of major structural/administrative change. If the proposed changes had been practical, they probably would have supported them. But their guaranteed objections to Mrs Esteve-Coll's plans prompted her to remove these curatorial stumbling blocks; to "make them an offer they couldn't refuse." A better use of the funds for the redundancies would have been to allocate them for the improvement of storage facilities, exhibits and conservation. The lack of monies for these things is what the curatorial staff has been decrying for years.

Maintenance and display of the collection must be overseen by keepers and their staff: they are the only people qualified by scholarship and experience to deal with these irreplaceable treasures. Their expertise cannot be replaced by administrators.

Such lack of judgment calls in question the wisdom of the entire restructuring scheme. If it starts with this degree of disregard for scholarship and the collections, what do the other changes portend?

The devastating measures to be initiated at the V&A in the name of economy remind me of the remark made by an American major, surveying the bombed-out ruins of the city of Hue, in Vietnam: "Too bad we had to destroy the city in order to save it," he said. Let it not be said that the V&A was allowed to be destroyed by this misguided effort to save it.

Deborah E. Kraak,
*Museum of Fine Arts,*
*465 Huntington Avenue,*
*Boston,*
*Massachusetts, USA*

## Other cities have CHP

*From Mr William Orchard.*

Sir, John Hunt identifies (April 6) the importance of amendments to the Electricity Bill which would reduce the fuel burn. However, we still need energy to heat our water and buildings. Electric heating requires 2.3 times the fuel burn of gas heating, and seven times the fuel burn of combined heat and power (CHP) heating.

The amendments aim to put the CHP option on an equal footing with nuclear power, and remove a market distortion. Berlin, Paris, Copenhagen, Helsinki and Stockholm already have CHP systems. The debate will show whether Mrs Thatcher, who has taken a central role internationally in tackling the world's "greenhouse" problem, is prepared to take a small practical step towards reducing it.

William Orchard,
*3 North View,*
*Wimbledon Common, SW19*

FINANCIAL TIMES
Tuesday April 11 1989

# Life on the frontier of nuclear power

## One country's showpiece can be another's nightmare, writes Bruce Clark

IN Gross Pliederstroff, on the French side of the border, the mayor has a German name. In Klein Pliederstroff, on the German side, the mayor's surname is French.

That is how closely the French region of Lorraine, and the German federal state of Saarland, are intertwined. On the French side, there may be some bitter memories of German armies but they are well buried.

The two regions had been doing business for centuries before Bismarck or Hitler came along. At the frontier, the guards have little to do but wave through Lorrains on their way to work in Saarland, or Germans driving to their second homes in France. Nobody will mourn when the border-post disappears next year.

The most stony-hearted opponent of European unity could not fail to be impressed by the way the tragedies of modern history have been transcended, one might think. But then there is an awkward fact.

It is that the Goverment of Saarland, backed by Luxembourg and many German municipalities, has waged a relentless legal and political battle to paralyse what Lorraine sees as the showpiece of its economy – and many Germans consider a deadly ecological danger.

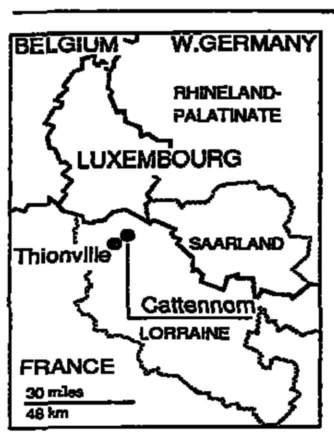
The apples of discord lie a few miles inside the French border at the village of Cattenom: four giant concrete cylinders which tower over the flat fields of Lorraine. Each one contains a 1300MW pressurised water reactor (PWR) of the kind that France has virtually mass-produced, to the point where 70 per cent of its power comes from nuclear sources.

Cattenom is one of the biggest nuclear power complexes in Europe.

The further left you go in French politics, the more you support the reactors.

Mr Paul Souffrin, the popular doctor who is mayor of Thionville – a depressed former steel town to which the Cattenom reactors brought much-needed prosperity – is a Communist, and ardently supports *le nucléaire*.

The further left you go in Germany, the more you oppose the reactors.



**Saarland government leaflet (right) calls for a shutdown of the nuclear plant across the border...The continuing legal and political dispute is a fascinating study in microcosm of the yawning cultural gap between France and W Germany over ecological issues.**

German doubts about Cattenom go back a decade (among the first to express them was Mr Helmut Kohl, before he became Chancellor), but Saarland's campaign really began after the 1985 victory of the Social Democrats in state elections.

The Social Democrats place massive emphasis on the environment and are committed to the phasing out of West Germany's own nuclear programme.

Spearheading Saarland's campaign are Mr Oskar Lafontaine, the state premier and a possible future chancellor, and his environment minister, Mr Jo Leinen, an intense young lawyer who used to be a full-time "green" agitator.

Their ultimate goal is a total halt to production at Cattenom, where two reactors are already on stream and a third is almost ready.

The immediate aim is to make the French adopt what the Germans consider to be better safety standards.

Mr Leinen reels off a string of perceived defects in French reactors.

German reactors have four refrigeration systems and four internal power generation systems: the French have only two of each. German reactors are surrounded by steel as well as concrete, while the French merely have concrete, which in older reactors is already showing fissures. French reactors are vulnerable both to crashing aircraft and terrorist attack.

A few miles away, in his office in the heart of the nuclear complex, Mr Alain Malfont, director of the French installations, reels off the replies.

Yes, German reactors have more cooling and power generation systems, but French ones are twice as powerful. Yes, German reactors are covered by steel, but French ones have two layers of concrete which are just as good.

"The margin of security is the same, there are just two different routes to achieving it," he insists. His tone is an engaging mixture of the earthy pragmatism of his native Massif Central and the elegant, didactic manner that a French education instils. He is insidiously convincing.

Since 1987, the Saarland Government, with support from Luxembourg and some French ecological groups, has been waging a complex legal war in the French and European courts.

They have used an ingenious series of procedural objections.

One was that France issued permits for the reactors to start emitting radioactive material (effectively, to start functioning) before getting approval from Euratom, the nuclear energy arm of the European Community.

Last autumn, the European Court ruled that the French permits had indeed been wrongly issued. So Paris issued new permits.

A classic example of "the nuclear Mafia neglecting the law," Mr Leinen says. "How cynical can you get?" the Saarlanders asked. The French reply, not without relevance, that Euratom did approve Cattenom shortly after the court case began in mid-1987.

Ah yes, the Saarlanders answer, but the Euratom go-ahead was subject to two conditions which the French have ignored: that France undertakes to inform its neighbours of any incidents at Cattenom, and that German norms (five times tougher than French ones) be adopted in respect of radioactive effluent dumped in the Moselle river.

The French say they respect German norms *de facto*, but they will not formally adjust their own norms. "It's a question of national sovereignty," says Mr Malfont.

The Cattenom opponents also say France violated its own laws by giving the third and fourth reactors capacity of 1300MW each, although they had only completed the planning procedures for reactors of 900MW. The French reply that the Conseil d'Etat in Paris ruled in 1980 that the reactors' size could be increased without restarting procedures.

The continuing legal and political dispute is a fascinating study in microcosm of the yawning cultural gap between France and West Germany over ecological issues.

On the German side, there is a kind of "more-in-sorrow-than-in-anger" priggishness which infuriates the French – who seem unwilling to believe, possibly because it is so foreign to their own thinking, that the German conviction is sincere.

The Germans look across the border and see an authoritarian state denying information about the environment to its own citizens and riding roughshod over the law.

The French perceive the Saarlanders' policy as a cynical attempt to shore up a subsidised (and arguably more noxious) coal industry at the expense of France's courageous bid to achieve energy independence in defiance of a hostile world.

"The Germans made a terrible mistake by arousing French patriotism," says Mr Malfont.

There is glee in his voice as he pronounces that 5 per cent of Cattenom's output is sold to West Germany. "Lafontaine said that no Cattenom electricity would pass through Saarland – but he doesn't control the grids," he chuckles.

So have personal relations between the Lorrains and the Saarlanders come under strain? Remarkably, they have not noticeably deteriorated. Were this an Anglo-French dispute, one would expect language on both sides to be laced with dark, chauvinistic innuendo – and an upsurge, in Britain, of anti-European sentiment.

The Cattenom dispute is more than a game: the time and money spent in the courts is proof of that.

But the conflict does not appear to have shaken either pro-European sentiment or personal relations.

The dispute's protagonists enjoy a bantering relationship and speak of one another with something like exasperated affection.

Anecdotes are told of public debates on the nuclear issue in which French and German officials do verbal battle and then sit down to an enjoyable dinner.

As a Saarland official explains: "there is a certain consensus over the importance of good food and wine."

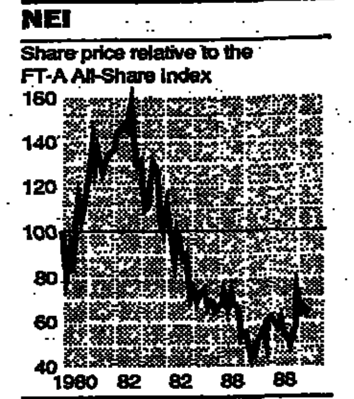
So the Franco-German border may not be so disheartening a place for a European federalist after all.

THE LEX COLUMN

# Adding power to Rolls Royce

Last month's jump in UK input prices is yet another sign of the inflationary pressures now building up in the economy. If profit margins are not to be squeezed, output prices should be growing considerably faster, and this is something the Government cannot countenance if it is to maintain confidence in its anti-inflationary stance.

NEI
Share price relative to the FT-A All-Share Index



## Rolls-Royce/NEI

Though there is more than a hint of cosiness about the proposed merger between Rolls-Royce and NEI, there seems only an outside chance of a higher offer. Hostile bidders now know the price NEI sets on itself: but most conceivable candidates seem either to be Japanese, or to be in the middle of tying up deals with GEC. Nor is it self-evident that 16 times historic earnings is cheap for a company with NEI's stock market history, and without any obvious treasures locked up in its peripheral businesses.

The grounds for upgrading Rolls-Royce's prospects look correspondingly modest. It is easy to see why it would wish to diversify away from its position as a virtual one-product company at the mercy of the dollar, and though there are few real points of contact between the two businesses, Rolls-Royce has a chairman with a lifetime's expertise in the business of power generation. But with the cancellation of Fawley and a question mark over the building of new coal-fired stations, prospects for UK power generation seem tied up in the uncertain details of electricity privatisation. Put another way, if NEI is to be run just as before, whatever made it willing to renounce its independence should put Rolls-Royce shareholders on their guard.

## Gold Fields

The battle for Consolidated Gold Fields is far more finely balanced than might be inferred from yesterday's 55p fall – to £13.40 – in its share price. Minorco's £15.50 final bid is not the knock-out blow someone had been expecting, but a price of over 14 times Gold Field's earnings for the year to June 1990 is not a frivolous offer either. Minorco already owns 30 per cent of this company, and if it had not insisted on issuing its own paper, it would almost certainly have bagged Gold Fields with this latest bid.

As it is, it would be wrong to assume from yesterday's drop in its share price that Gold Fields has won the day.

The market seems to have been hoping that Minorco would have offered the sort of price that would have embarrassed Gold Fields' managers into dropping their US legal action. Clearly, this is not the case; and even if a majority of Gold Fields' shareholders were to accept the offer, it is too simplistic to believe that what is good for Gold Fields' shareholders is necessarily good for the shareholders of its US affiliate, Newmont, which is pursuing the main action against Minorco.

Nothing has changed on this score, and the most likely way that this bid will be allowed to proceed is if the US judge agrees to lift the injunction, which is something that neither party has much influence over. Gold Fields could well face an uphill battle persuading the big institutions to remain loyal, especially if the equity market takes another nasty dive over the next week or so.

## Unilever

At first sight, Unilever's new borrowing limits suggest a rush of blood to the corporate brain. Not only has it adopted the Saatchi and Hanson approach of including purchased goodwill for the purposes of the calculation, it is also raising the multiple from twice to three times shareholders' funds thus adjusted. Assuming rough parity in borrowing limits between the UK and Dutch operations, the result is to raise the ceiling from £6bn to £14bn, for a company with shareholders' funds – on the conventional basis – less than a quarter of that.

On closer inspection, the problem seems to lie the other way round. After the goodwill write- off from the Chesebrough-Pond's purchase, shareholders' funds at end-1988 were down on the previous year, at £3.2bn: the inclusion of Fabergé will reduce them further to £2.6bn. The group's present acquisitive plans seem to focus on the Far East and the food industry, probably through smallish deals in both cases. But to the extent that it buys brands, it would risk having its borrowing limits whittled down to a multiple of nothing. The involvement of Unilever in problems of brand valuation is the best proof so far that the debate will not go away.

## Waterford Glass

Waterford Crystal contrived to lose over I£20m last year, and the management is wearing its hair shirt. Yesterday, all the gory financial details of the production shambles at Waterford came tumbling out, as did Peat Marwick's damaging report on what went wrong. Nevertheless, the market has been left as confused as ever. The central question is whether Waterford can improve productivity enough to make itself competitive, and how long that will take. The answer depends largely on the unions, and the present management is sufficiently chastened by past unfulfilled promises to remain silent on how negotiations are going. The figures themselves are not especially reassuring; although sales were over 40 per cent higher in the second half than in the first, losses were cut by only a third.

If it all works, the renamed Waterford Wedgwood will consist of two profitable, complementary businesses with two first rate brand names. Such a prospect cannot have escaped scores of bidders who are looking for decent brands, but the marked absence of any interest so far is not surprising.

If the plan fails, borrowings will continue to rise until the company is finally bailed out at a distress price. For now, a bidder is faced with an unknown bundle of problems, which arguably are best addressed by the company's new management. Moreover, at anything near the present share price a bidder would also face earnings dilution; even on the most optimistic forecasts, the shares are on 20 times earnings for the year after next.

# Swapo withdrawal clouded by 'confusion'

UNITED NATIONS peacekeepers yesterday began setting up assembly points for Swapo guerrillas in the barren bushlands of northern Namibia under the terms of Sunday's agreement to end eight days of border fighting. Reuter reports from Windhoek.

The South West Africa People's Organisation guerrillas are due to withdraw to Angola after fierce battles with South African-led troops. Last night, however, Swapo was asking the UN to provide clarification of the agreement

"There is a chain of confusions and we don't know what they mean," said Mr Hidipo Hamutenya, the organisation's information secretary, speaking in the Angolan capital of Luanda.

"There's just a proposal for a ceasefire... We don't know exactly when it comes into effect," he said, adding that it was not clear whether the ceasefire began with the signing of the agreement on Sunday or would start on Tuesday when UN-supervised assembly points to receive the Swapo guerrillas would be in place.

There was also confusion about how many assembly points there would be and how long evacuation would take, Mr Hamutenya said.

Diplomats said the confusion appeared to be partly due to the fact that Swapo did not directly take part in the talks but relied on its allies, Angola and Cuba, to present its point of view and on the UN for information.

Some of the issues raised by Mr Hamutenya had been tackled earlier in the day at a press conference in Windhoek, the Namibian capital, given by Martti Ahtisaari, the Finnish diplomat who heads the United Nations Transition Assistance Group for Namibia (Untag). "We have started work... we will do our damnedest to be ready by noon tomorrow," said Mr Ahtisaari.

He told journalists that nine assembly points would be set up on and near Namibia's northern border, each manned by 15 armed Untag members as well as South African and Angolan officials.

From there, guerrillas would be flown or driven to camps at least 90 miles inside Angola, north of the 16th parallel, where they would remain under Untag supervision for a minimum of six weeks.

Up to 1,900 Swapo guerrillas are set to withdraw to Angola over the next 10 days under the terms of Sunday's agreement between Cuba, Angola and South Africa.

Some of the designated assembly points are in villages and guerrillas can gather at any church in the area, but the main posts are just concrete beacons set on hills along the border.

Mr Ahtisaari said radio messages were being beamed into the bush every hour, urging Swapo fighters to report to Untag and surrender their weapons.

He said similar messages would be broadcast from the assembly points, which would be as high and as visible as possible,

UN officials in Windhoek said radio messages were being broadcast hourly in English, Afrikaans and local languages urging the guerrillas to place themselves under the protection of Untag troops

Mr Hamutenya, however, said these messages would be ignored by the Swapo guerrillas.

"We can only broadcast to our fighters ourselves and we can't do that unless we have a date and a time for a ceasefire," he said.

# G + W move fuels bid speculation

Continued from Page 1

in exploiting fully the global opportunities for expanding our communications operations," he said.

The sale of The Associates will be just the latest in a string of disposals since Mr Davis took over Gulf + Western on the death of its founder, Mr Charles Bluhdorn.

The company consisted of various businesses, with sales of $5.3bn but profits of just $169m.

Mr Davis, who is regarded as one of the very best managers in the US, sold low-profit businesses ranging from cigars to sugar-making with sales of $4bn, dumped a $900m portfolio of securities and acquired the Prentice-Hall textbook publisher for $700m.

# Gold Fields rejects final offer from Minorco

Continued from Page 1

– of one Minorco share (last night down 2p at £7.41) plus £23.50 cash for every two Gold Fields' shares – was final and that only Gold Fields' shareholders who accepted by the final closing date of April 26 would have the opportunity of electing to receive either more Minorco shares or more cash.

Rejecting the latest bid, Mr Rudolph Agnew, Gold Fields' chairman, suggested that Minorco had not been able to make a much higher and "knock-out" offer because it was influenced by Mr Harry Oppenheimer whose South African groups, Anglo American Corporation and De Beers, control Minorco.

## WORLD WEATHER

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | | - | - | Dubrovnik | S | 21 | 70 | Malta | S | 18 | 65 | Rhodes | S | 21 | 70 |
| Algiers | R | 13 | 55 | Edinburgh | R | 7 | 45 | Manchester | C | 8 | 46 | Rio de J'o | F | 35 | 95 |
| Amsterdam | C | 14 | 57 | Faro | F | 16 | 61 | Manila | F | 36 | 97 | Rome | S | 22 | 72 |
| Athens | S | 21 | 70 | Florence | S | 22 | 72 | Melbourne | C | 19 | 66 | Salzburg | S | 16 | 61 |
| Bahrain | S | 25 | 77 | Frankfurt | C | 12 | 54 | Mexico City | F | 25 | 77 | San Francisco | F | 12 | 54 |
| Bangkok | F | 37 | 99 | Funchal | F | 19 | 66 | Miami | S | 23 | 73 | Seoul | S | 12 | 54 |
| Barcelona | C | 16 | 61 | Geneva | C | 14 | 57 | Milan | F | 16 | 61 | Singapore | | - | - |
| Beirut | | - | - | Gibraltar | F | 17 | 63 | Montreal | C | -1 | 30 | Stockholm | C | 9 | 48 |
| Belfast | S | 9 | 48 | Glasgow | C | 7 | 45 | Moscow | S | 13 | 55 | Strasbourg | C | 12 | 54 |
| Belgrade | S | 23 | 73 | Guernsey | S | 11 | 52 | Munich | S | 16 | 61 | Sydney | C | 20 | 68 |
| Berlin | C | 11 | 52 | Helsinki | C | 6 | 43 | Nairobi | F | 23 | 73 | Taipei | C | 20 | 68 |
| Biarritz | F | 13 | 55 | H. Kong | F | 23 | 73 | Naples | S | 27 | 81 | Tangier | F | 16 | 61 |
| Bombay | S | 32 | 90 | Innsbruck | C | 16 | 61 | Nassau | F | 28 | 82 | Tel Aviv | S | 37 | 99 |
| Bordeaux | F | 13 | 55 | Inverness | R | 6 | 43 | New Delhi | S | 33 | 92 | Tenerife | F | 21 | 70 |
| Brussels | C | 13 | 55 | Islamabad | F | 27 | 81 | New York | S | 5 | 41 | Tokyo | R | 17 | 63 |
| Budapest | F | 21 | 70 | Istanbul | S | 17 | 63 | Nice | C | 18 | 64 | Toronto | F | -5 | 23 |
| B. Aires | R | 28 | 82 | Jakarta | R | 32 | 90 | Nicosia | C | 23 | 73 | Tunis | S | 22 | 72 |
| Cairo | S | 31 | 88 | Jersey | S | 12 | 54 | Oporto | F | 14 | 57 | Valencia | F | 22 | 72 |
| Cape Town | S | 22 | 72 | Jo'burg | F | 21 | 70 | Oslo | C | 5 | 41 | Venice | F | 18 | 64 |
| Caracas | F | 26 | 79 | Lima | F | 24 | 75 | Paris | F | 12 | 54 | Vienna | S | 20 | 68 |
| Casablanca | C | 17 | 63 | Lisbon | F | 15 | 59 | Peking | S | 19 | 66 | Warsaw | F | 13 | 55 |
| Chicago | | | | London | C | 13 | 55 | Prague | C | 12 | 54 | Washington | F | 7 | 45 |
| Cologne | C | 16 | 61 | Los Angeles | C | 16 | 61 | Reykjavik | Sn | 1 | 34 | Zurich | C | 11 | 52 |
| Copenhagen | F | 8 | 46 | Luxembourg | R | 12 | 54 | | | | | | | | |
| Corfu | S | 22 | 72 | Madrid | C | 14 | 57 | | | | | | | | |
| Dallas | C | 7 | 45 | Majorca | F | 21 | 70 | | | | | | | | |
| Dublin | F | 9 | 48 | Malaga | F | 19 | 66 | | | | | | | | |

*Readings at mid-day yesterday*

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Human rights issues not on agenda for talks

# Chinese leader aims to boost world stature in Japanese visit

By Robert Thomson in Tokyo

LI PENG, the Chinese Premier, begins a visit to Japan tomorrow that will be as important for the development of his own fledgling international stature and his reputation back home as for the furthering of bilateral relations.

Li has been attempting to prove that he is more than a mildly talented engineer who profited politically from family ties with Communist Party leaders. Japan will provide him with a less troubled stage than Peking, where economic problems have made the Chinese an unappreciative audience.

In Tokyo, Li will not have to worry about fending off awkward questions on his country's human rights record, the increasingly important issue that so clouded the recent visit by President George Bush to Peking.

He will also meet politicians surrounded by allegations of corruption that dwarf those levelled at Chinese Communist Party leaders accused of prospering from economic reform.

Japan's Foreign Ministry confirmed yesterday that human rights would not be on the formal agenda, although Mr Noboru Takeshita, Japan's Prime Minister, is free to raise the issue.

The Japanese leader will be more inclined to talk about relations improved by the rapid elimination of Japan's huge bilateral trade surpluses, which had reached $6bn in 1985 and $4bn in 1986. Chinese leaders had warned that ties were threatened by the surpluses, which were seen in Peking as a sign of exploitation by Japan and which prompted anti-Japanese protests by Chinese students.

According to Japanese figures, bilateral trade last year rose 23.5 per cent to $19.3bn, with China having a surplus of $377m following a 33 per cent increase in exports to Japan. Li will compliment his hosts on the improvement in trade, but urge Japanese companies to increase technology transfer and investment in China.

In an address to business leaders on Thursday, Li is expected to reassure companies that China's economic problems and an austerity drive have not undermined the investment environment. The Japanese Diet (Parliament) is scheduled in the next day or so to ratify a Sino-Japanese investment protection agreement signed last August when Mr Takeshita visited Peking.

While Li will want to prove that he is a man of the world, he will be cautious not to be too enthusiastic in his embrace of Japanese leaders, as the former Communist Party chief, Hu Yaobang, was condemned by party elders for being too ready to forgive Japan its wartime sins against China.

● Mr Takeshita yesterday acknowledged receiving another Y30m ($22,700) in donations from Recruit, AP reports from Tokyo.

Mr Takeshita, who has insisted he will stay in office to push through political reforms, made no further comment on the latest disclosure.

He was scheduled to appear before parliament today for a major statement on his connections with Recruit, an information conglomerate accused of trying to buy influence in the Government.

A series of disclosures since last week has shown that Recruit donated more than Y105m for fund-raising parties for Mr Takeshita in 1986 and 1987.

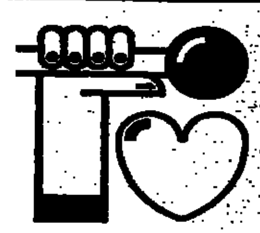
An aide also was among some 160 influential politicians and business professionals who were sold unlisted stock in a Recruit subsidiary at bargain prices.

They made large profits after public trading in the stock began.

So far, 14 people, including two vice ministers, have been arrested on bribery and securities law violation charges in connection with the stock deals. Three Cabinet ministers have resigned.

SECTION III

# FINANCIAL TIMES SURVEY



Strong reactions to the white paper on improving the efficiency of the National Health Service have been countered by a vigorous defence from Kenneth Clarke, the Health Secretary.

A survey by **Alan Pike**, Social Affairs Correspondent

## Responding in metaphors

MEDICAL METAPHORS abound in the debate over the future of health care in Britain. It is a debate which has continued unabated since the publication of the white paper "Working for Patients."

Supporters say the reform package is a wonder drug which will rejuvenate the tired, bureaucratic old National Health Service.

Opponents reply that the plans are at best experimental surgery, being applied wholesale without any clinical trials to assess the likely effect on patients.

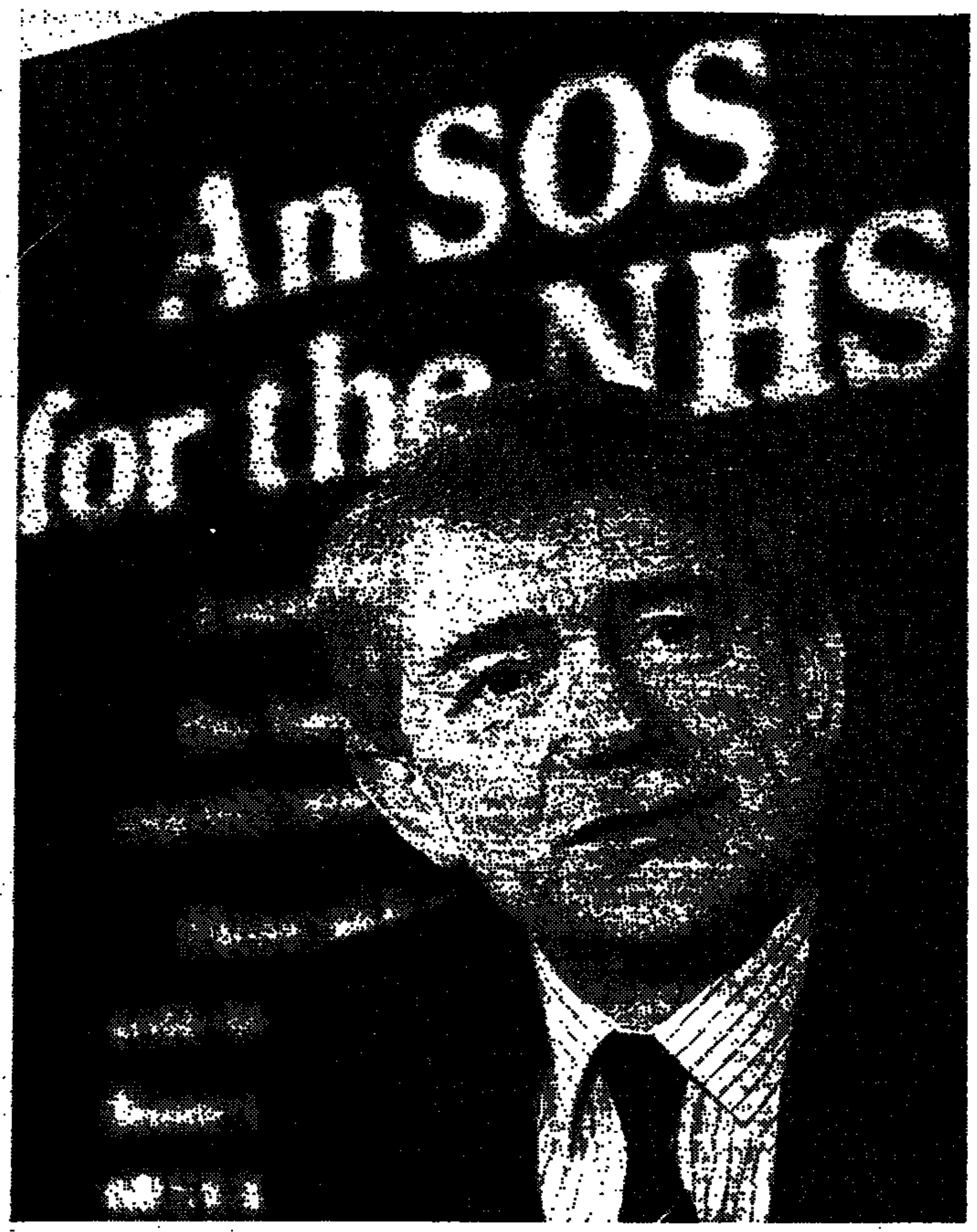
Many of those patients are now trying to evaluate the Government's claims that the changes will increase their power as health consumers against the British Medical Association's warnings that they will undermine the quality of care. Has the Government discovered a cure to the NHS's problems which will carry it strengthened into the next century? Or, in Francis Bacon's medical metaphor from nearly 400 years ago, is the remedy worse than the disease?

Part of the explanation for the furious reaction to the Government's proposals is that the remedy, in the eyes of critics, does not address itself to what they believe *is* the disease.

When, in January 1988, the Prime Minister announced the review of health care which led to "Working for Patients" the NHS was – at least according to the diagnosis of those working in it – suffering from underfunding. The review was set up after three months of unprecedented publicity about closed wards, delayed operations and surgeons spending afternoons on golf courses because their health authorities could not afford to let them work.

As the BMA, Royal College of Nursing and others have been quick to point out, the white paper does not address the specific funding question or offer new money. The Government's proposals, says Dr John Marks, chairman of the BMA council, offering another medical metaphor, "involve not an extra penny at a time when the NHS is dying from financial anaemia."

The white paper has met widespread opposition from the medical profession. This month the BMA, which has appointed the advertising agency Abbott Mead Vickers SMS to conduct a national campaign to inform the public of its concerns, began issuing hostile leaflets to every GP's surgery in the UK.



**Dr Michael Wilson, chairman, General Medical Services Committee, at a British Medical Association conference on the white paper**

# Health Care

Mr Kenneth Clarke, Health Secretary, in a interview in this survey, says he had "no expectations whatsoever of any support from the medical representative bodies" and so is not disappointed by their response. The BMA insists that the opposition from the medical profession is deep and spontaneous, and says Ministers are wrong to suggest that it is being whipped up by the representative organisations.

So far, the medical profession has remained united in its opposition, with critics including not only the BMA but the highly respected royal medical colleges. Many royal college leaders are particularly worried about what they believe is a growing crisis in Britain's medical schools because of financial and other pressures, and are disappointed that the white paper does little to address this issue. Mr Clarke has also faced the hurdle of having to negotiate new contracts with GPs at the same time as he has been trying to win their support for his proposed reforms.

Nevertheless, the Government remains determined to go ahead with its plans, which are designed to separate the financing of health care from its supply, make the NHS more cost-effective and efficient and increase patients' powers as consumers.

One of the greatest unanswered questions about the reforms concerns their likely cost. There will be some relatively major specific costs – putting adequate computer systems into hospitals to provide the information base on which so many of the reforms depend could run up a £400m-£500m bill – but there are likely to be other, less easily quantifiable, costs as well.

One of the freedoms which the Government intends to bestow on its proposed self-governing hospitals is the right to set their own pay levels. This will lead to hospitals competing not only for patients but for staff – doctors and nurses and, with the proposed devolution from the centre, an increasing number of accountants and computer staff.

Academic analysts of the Government's proposals suggest that this ending of the NHS's current role as a near-monopoly employer of labour could have an upward impact on salaries.

Mr Haydn Cook, manager of the Lister private hospital in London and a former NHS manager, predicts that some of the self-governing NHS hospitals will draw a disproportionate amount of income from their reputations in specific specialist services.

This, he says, will give enormous market value and power to the teams providing these services. "I can envisage some doctors, like footballers, having transfer fees which reflect the huge value they will have for a hospital."

Professor Alan Maynard, director of the Centre for Health Economics at York University, shares the view that, although the efficiency of the NHS might be improved considerably by some of the reforms, they contain cost inflation dangers which could undermine the service.

In an assessment of the proposals, he says that the changes need to be better designed and implemented if, as the Government apparently desires, the efficiency of the NHS is to be enhanced. "If, however, the Government wants to alter radically the nature of the UK health care market, while pretending the contrary, it may have selected some measures which will do this efficiently at the price of greater inequality in access, inadequate and unequal quality of care and cost inflation."

Dr Michael Goldsmith, a part-time research fellow at the Centre for Policy Studies and an influential advocate of ideas which appear in "Working for Patients" – he was an early enthusiast for separating the funding and provision of health care – rejects most of the criticisms.

"There is no doubt that patients will get better quality of care. People will be treated as consumers and will have some real choice over where they go for treatment. GPs, by becoming budget holders, will have much more total control of their patients' care. They will be able to act as the patient's honest-broker, and the positive effects on job-satisfaction should be enormous."

One of the more certain aspects of the proposals is that their impact on the private sector will be widespread.

Private health insurance companies and provident associations are gearing up for a major increase in the market among the over-60 year olds next year, when tax relief is allowed on insurance premiums taken out by them or on their behalf. The decision to allow tax relief has proved one of the most widely-criticised of the white paper's proposals but it will certainly enlarge the market among the elderly, where take-up of health insurance is currently very low.

Private hospitals, many of which already carry out work on contract for the NHS, envisage that a substantial increase in this type of activity will flow from the more open market in health care provision proposed by the Government.

Health authorities and GP budget holders will be expected to send patients to the hospitals which can carry out work most efficiently, in terms of both outcome and price. The private sector is convinced that the changes, allied to the Government's decision to introduce a commercial form of charging for capital assets in the NHS, will led to fairer competition and enlarge the amount of work it does for the public service.

Mr Tony Byrne, chief executive of the Independent Hospitals Association, calculates that there is already sufficient capacity in the private sector for it to carry out another 400,000 operations a year for the NHS. He believes this capacity will grow as investors build new private hospitals to handle NHS business, with some hospitals perhaps confining themselves to NHS work. There are predictions that the private sector might eventually treat more NHS patients than private ones.

The private sector is not, however, looking only at the NHS reforms for its future development. It is keen to offer a distinctive service outside mainstream areas of NHS activity, and occupational health has recently been identified as a leading growth area.

In a typical year Britain suffers 12m industrial accidents. An annual 8,000 deaths are due to work-related illnesses and 15 per cent of lost working days result from stress-related conditions.

Mounting competition to attract key employees and new legal requirements, such as forthcoming regulations on the control of substances hazardous to health and an EC directive on noise levels, are increasing the social and legal pressures on employers to provide more sophisticated occupational health services.

A number of the leading private health providers, including AMI Healthcare and Bupa, see substantial growth opportunities in the occupational health market. AMI already carries out programmes for a number of large organisations including Marks & Spencer and the Post Office, and Bupa has this year launched plans for 17 regional centres which it says will make it the largest occupational health service in the private sector.

The Government's health care review will prove good news for computer suppliers and management consultants, as health authorities and hospitals begin introducing the information and managerial changes which will be necessary to make the new structure work.

"The scale of the changes envisaged in the white paper is vastly greater that even most people in the NHS expected, and managing the transition while continuing to keep the service running on a

Continued on Page 2

CONTENTS

Kenneth Clarke, Health Secretary, replies to critics of his proposals to reform the NHS

# 'Without a tight timetable, this might not happen at all'

AFTER TWO months of sustained and mounting criticism of his attempts to reform the National Health Service, Mr Kenneth Clarke, the Health Secretary, manages to remain relaxed as he discusses his plans.

But his relaxed style delivers a message of total determination which offers no comfort to his opponents. However much critics may shout, lobby and mount advertising campaigns, the reforms are going ahead.

"This is for real. We are not going to have pilot schemes with everybody studying them for three or four years and all the political opponents trying to wreck them. We are not going to have endless tedious discussions about whether we should do this at all. This is all going to happen and I believe the response of the best people in the service will be for the medical profession to get involved and get some advantage from it."

Mr Clarke stresses the point. He wishes to make it absolutely clear that the changes are going ahead. "Once there is general acceptance that this is going to happen, people will throw themselves into making sure it happens properly in their neck of the woods."

The Government had gone to the British Medical Association and other representative medical bodies with its proposals and asked them to discuss how to implement them. "They have ignored this. They have come back and said: 'We don't think you *should* do this.' I have said: 'Thank you very much, I hope you feel better for having said that. Now can we address ourselves to the question of *how* we are going to do it?'"

Mr Clarke enjoys a reputation for being sympathetic to the overall concept of the NHS. Between 1982 and 1985 he was Minister of State, responsible for Health, at the old Department of Health and Social Security. When the DHSS was split up last summer, he became Secretary of State for Health, inheriting one of the biggest political issues in the health sphere since the NHS was set up in 1948 – the review of the entire future of the service which Mrs Margaret Thatcher, the Prime Minister, had established in January 1988.

The new Health Secretary put his own mark on the review's findings, which were published as the white paper "Working for Patients" in late January. But even supporters who are willing to give the ideas a try cast doubt on his breathless timetable, which involves getting many of the plans rolling over the next two years.

"One of my friendly criticisms of the health service is that everything happens too slowly," replies Mr Clarke. "This is a service which takes 15 years from start to finish to build a hospital. What we are introducing is not remotely new to other large-scale organisations. I think that without my determination to get on with it by setting a tight timetable there is a serious danger that it would not happen at all."

**"They have said: 'We don't think you should do this.' I have said: 'Thank you very much. Now can we address ourselves to the question of how we are going to do it?'"**

Mr Clarke and his fellow Health Ministers have this month taken themselves into the lion's den, addressing meetings of hostile GPs and other critics around the country in an attempt to present the proposals in a positive light. So what, in his view, are the most important positive aspects of the changes?

"The essential benefits for the public are that the service will be run in a more business-like way. It will be more consumer-conscious and more influenced by patient choice. The use that we make of money will be improved in the sense that it will go where the work is being done best, and where patients are most satisfied by what is being done.

"Doctors, instead of sometimes being frustrated by management problems in a service where they think management and financial problems are nothing to do with them, will have much more ability to influence and control how things are done."

"In the hospital service they will have the ability to operate within the clinical budgets of their teams, and make their own judgments about how best to deliver the service within available resources. If in general practice, they will have the opportunity of having substantial resources put in their hands to make their own judgments.

"My belief is that, once we get this well under way, the NHS will cease to be, as it appears, a state-owned, rather bureaucratic public service with great unevennesses of performance across the country. People will notice that it runs more smoothly, and local patches of excessive waiting times and sub-standard performance should be reduced."

Is the opposition from the medical profession, which has warned that the plans are a threat to standards of patient care, greater than he expected?

"I am afraid I had no expectations whatsoever of any support from the medical representative bodies, so I have not been disappointed by their response." In Mr Clarke's judgement, the reaction from staff within the hospital service has been fairly favourable, with a considerable degree of interest and some support among consultants. There is, he says, particular interest in his plans for self-governing hospitals.

Among GPs the reaction has, he admits, been more cautious. Many observers would describe this as something of an understatement. But Mr Clarke says he always expected that the biggest political battles would come from GPs, where the issues raised in the white paper have overlapped with a long-running negotiation on new contracts for family doctors.

He says that although the British Medical Association has been trying to rouse fears over proposals for GP practices to be offered the chance of becoming budget-holders, buying hospital care on behalf of patients, he believes up to a quarter of Britain's GPs are interested in the plan.

Mr Clarke's attempts to convince GPs of the merits of his white paper have not been helped by being involved in the contract negotiations at the same time. The two issues overlap. Both the white paper and the contract proposals are aimed at increasing capitation payments – the amount of income based on the number of patients on GPs' lists. Mr Clarke regards this proposal as an incentive to doctors to provide the services patients want in convenient and appropriate ways.

Critics disagree. They say it will lead to unproductive competition between GPs to attract extra patients, with patients judging GPs on their marketing rather than their doctoring.

At present, about 47 per cent of GPs' income is derived from capitation payments. "Working for Patients," the health care white paper, declares an intention to raise this to at least 60 per cent. But Mr Clarke admits that the Government actually intends to "go up to quite a bit above 60 per cent" because he regards capitation as the best reflection of the workload being carried by each doctor.

Mr Clarke says he always recognised that there would be difficulties in persuading GPs to accept the proposed changes. The reforms involve a change of culture, introducing such factors as competition, the right to advertise, and performance-related pay.

Ever since the white paper was published, Mr Clarke has faced questions about the costs of his proposed reforms. Some specific costs – like the need to instal computers in hospitals to enable them to run proper systems of budgeting and charging – will eventually be quantifiable.

But potentially, the financial implications of the reforms go much further than this. At present, the NHS, unlike conventional businesses, rarely knows the precise cost of specific activities. Once the reforms in information and budgeting systems make such costs known, interest groups will have hard ammunition to help prove that particular services are underfunded. And if Mr Clarke's aim of making the NHS more consumer-conscious and influenced by patient choice is achieved, it is likely to bid up public expectations and hence total costs.

"At the moment, every time there is any problem, the cry of underfunding goes up and nobody has a clue whether it is because you are spending too much on the laundry or what it is," responds Mr Clarke. "It is true we will have much more idea of where the money goes and therefore, if money is running short, people will make a much better case. I don't mind that. The money will go where a well-founded case is demonstrated.

"Some system of financial rationing is inevitable in any system of health care. I don't think any society is yet wealthy enough to provide all the finance on demand for all clinical needs. The amount of money you could spend on health is near-limitless. So there will always be pressures of that kind."

**"Some system of financial rationing is inevitable. The amount of money you could spend on health is near-limitless. So there will always be pressures of that kind"**

But, adds Mr Clarke, if patients see themselves as customers, he believes the pressure of competition will lead to health services being provided in a more efficient and cost-effective way. He hopes this will be reflected not only in better financial management, but also in reduced waiting times because patients will be able to go where the work can be done most quickly.

He accepts that, if the reforms demonstrate that an adequate level of health care cannot be provided in particular areas, this is likely to provoke demands for more money. If this leads to an increase in the proportion of Britain's gross domestic product spent on health, that would be a more sensible way of achieving it than the present approach, where people wrote articles arguing that Britain should spend a higher proportion of GDP because Finland did.

*How does Mr Clarke see the future of Britain's private health sector?*

"I see an expanding private sector because I think that's the sort of society we are. Disposable incomes are rising and people with more disposable income are now beginning to want personalised choice in health care, in just they same way as they are accustomed to choosing their car and choosing their house."

He accepts that there are differences within the Conservative Party between those who believe the NHS should be a residual safety net "picking up the bits that the better-off can't insure for" and those who see it as a vigorous competitor in the total health care arena, continuing to provide a comprehensive service to all.

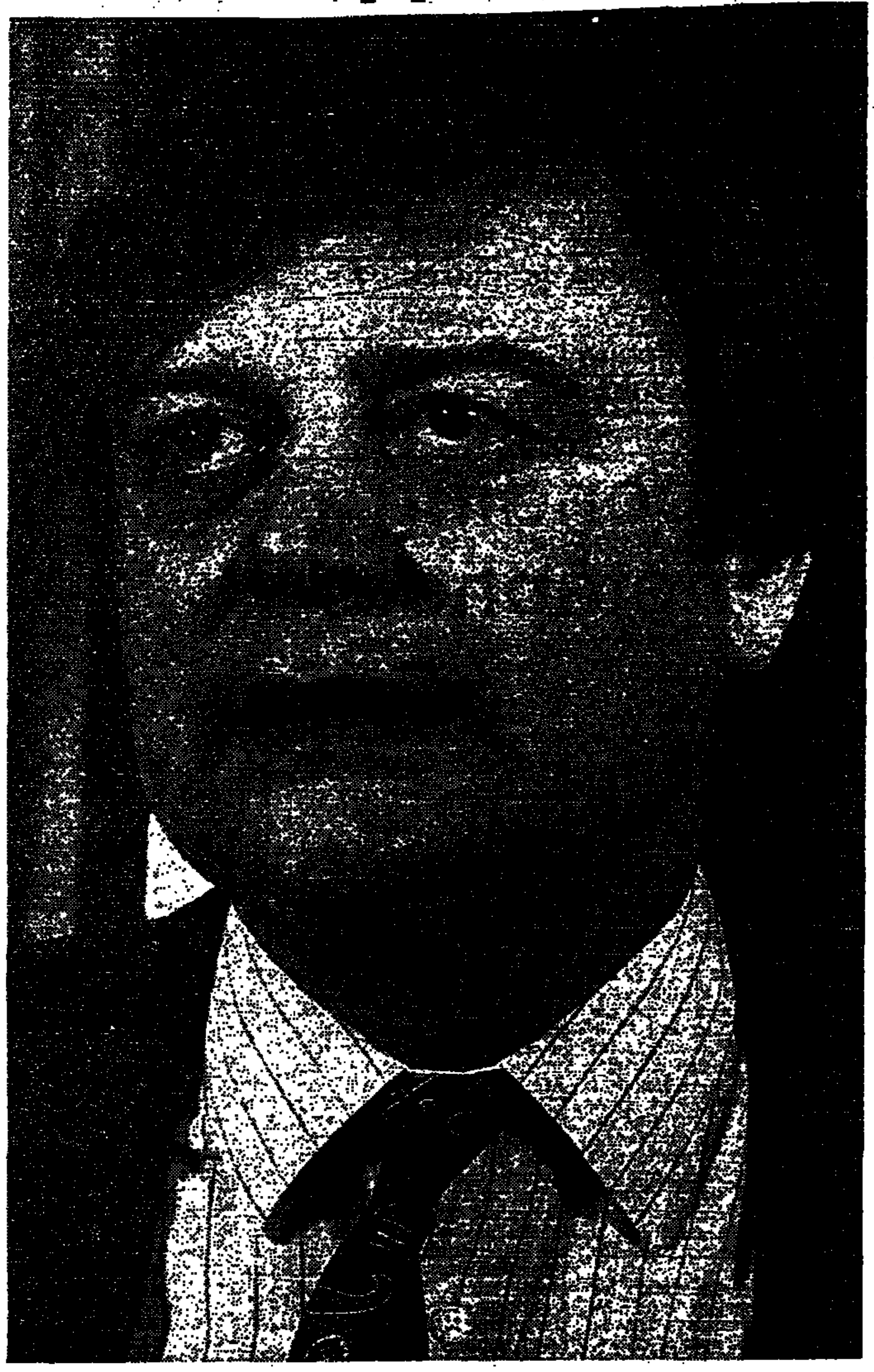
Mr Clarke holds the latter view. He believes that the NHS should be as effectively run as a private sector organisation, and that it should give the private health sector a good run for its money. He is convinced that will be to the overall benefit of health care in Britain. His reforms, he adds, are likely to keep the private sector on its toes.

"I am very clear that competition between the NHS and the private sector should be on a level playing field. It is important that we do not allow the NHS to have an inside track of public subsidy in competition with the private sector." He stresses that he wants the two sectors to behave like sensible competitors, with the health service placing contracts with the private hospitals where it can do so cost-effectively, and selling its own facilities to the private sector.

Mr Clarke completely rejects the Labour Party's initial response to his proposals – that they are a step towards privatising the NHS – although he accepts that if he had privatisation plans his reforms would be a necessary first step. It would be hard to privatise an institution which had no idea of its basic costs.

He says the biggest threat to the NHS might have been if the Government had done nothing – allowing it to continue with an inadequate management structure, a financial crisis every two or three years, over-strong unions dominating the service and the distribution of money "largely determined by who makes the most noise in the local newspaper." Had this gone on, so many people might have left the NHS by voting with their feet that drastic action would have been required.

The proposed reforms were necessary to create a well-run organisation. But there was no intention of privatising the NHS. Apart from the fact that he would be against it personally, it would not be political common sense. "It would be political suicide to do it now, and I don't see anything in 10 years' time that is going to stop it being political suicide"



Kenneth Clarke, Health Secretary: a message of total determination

Dr John Marks, chairman, British Medical Association council

# In metaphors

Continued from Page 1

day-to-day basis is going to be the key issue of the next few years," says Mr David Watkins, of Kingsley Lord, a firm of management consultants which has worked with the NHS on the introduction of performance-related pay for its senior managers.

One of the most crucial changes, involving both management structures and information systems, will be the rapid extension to hospitals throughout the country of the Department of Health's resource management initiative – at present an experiment at six sites. The initiative involves doctors and other professional staff more directly in management and provides accurate information on the cost and outcome of treatment.

Introducing the reforms in "Working for Patients" is not the only pressure on Mr Clarke and his fellow health ministers. Health care systems throughout the developed world face a number of common problems, including rising costs, the uncertainties of AIDS and the demands of an ageing population.

Mr Clarke is under heavy pressure on the last of these issues. It is now more than a year since Sir Roy Griffiths, the Government's health service adviser, published his report on the care in the community of the handicapped and frail elderly.

During the 1980s rapidly increasing demand for care home provision has been met in the main by the private sector, although financed largely from the social security budget. Now private, public and charitable providers all complain that they can no longer cope on the levels of funding allowed by the Government.

An announcement on how to achieve a more rational organisational structure for community care – and how to finance it – is expected from the Government by the summer. Its arrival will complete another part of the emerging pattern for future health and social services provision in the UK which has begun with "Working for Patients."

## The main points of the "Working for Patients" white paper

# Self-governing hospitals, GP budgets

THE GOVERNMENT'S white paper "Working for Patients" sets out proposals designed to make the NHS more managerially sound and competitive, at the same time as increasing patient choice. The key date for many of the changes is April 1991, but moves towards them are already under way. Two of the most novel ideas involve self-governing hospitals and GP budget holders.

**Self-Governing Hospitals.**

Self-governing hospitals will remain in the NHS — something Ministers have been anxious to stress in the face of criticisms that their plans are an attempt to undermine the national, tax-funded service — but will have a new freedom to determine their own affairs.

Run by boards of executive and non-executive directors, they will draw their income from contracts with health authorities, GP budget holders, other self-governing hospitals, private hospitals, insurance companies and employers. They will employ their own staff and be able to set terms and conditions outside national agreements.

Only a few essential conditions will have to be met for a hospital to become self-governing, the main one being the existence of adequate and committed management involving the hospital's professional staff. Any one of a number of groups - ranging from a hospital's management or medical staff to its league of friends — could propose it for self-governing status.

The Health Secretary will decide whether a hospital should become self-governing, and the Government has rejected any form of ballot on the issue. Ministers say hospitals have no natural constituency around which a ballot could be conducted.

The Government envisages hospitals with at least 250 beds being among the first to gain self-governing status, and regional health authorities have been asked to identify potential candidates by May 8. Eventually, smaller hospitals and related community units are likely to become self-governing as well.

**Hospitals will not be able to ballot on whether to be self-governing**

It is intended to establish a substantial number of self-governing hospitals — which will become separate legal entities known as NHS Hospital Trusts — by April 1991.

**GP Practice Budgets**

General practitioners will be given the opportunity of holding budgets to finance a range of hospital and primary care services for their patients. The budgets will cover the bulk of normal operations, out-patient services, X-ray and pathology tests and drugs.

Budgets will be agreed between GPs and regional health authorities within national guidelines and overspends of up to 5 per cent will be clawed back the following year. Overspends in two successive years may lead to GPs being removed from the scheme.

Initially, only GP practices with lists of at least 11,000 patients will be able to participate — such practices serve about 25 per cent of the population — but the scheme may be extended to smaller ones later.

Why should doctors take part? The Government says that by making them buyers of hospital services, they will have wider control over the care of their patients. Another incentive is that GPs will be allowed to retain any savings on budgets to improve their practices and patient services.

The Government hopes hospitals will be encouraged to raise the quality and cost-effectiveness of services to obtain custom from GP budget-holders.

The scheme will require legislation, and the Government plans to have it operating from April 1991.

Other points in the white paper's proposals include:

**Financing** — District health authorities will become purchasers rather than purely suppliers of hospital services and will be expected to place contracts where they can obtain the best service and value — whether in their own hospitals, those of other authorities, self-governing hospitals or the private sector.

**GP Prescribing Budgets** — indicative drug budgets will be set by regional health authorities to try to get better for value for money in prescribing — GPs' medicine bills came to £1.9bn in 1987-88, 37 per cent of total family practitioner service spending. The Government says the new regime will not stop people getting the treatment they need.

**Tax relief** — from April, 1990, income tax relief will be granted on private health insurance premiums for people over 60, whether paid by them or on their behalf.

**Capital charging** — a commercial approach to the charging of NHS capital assets will come into full effect in 1991-92, ending the treatment of capital as a "free good."

**GPs will be allowed to retain savings on budgets to improve their patient services**

**External audit** — the Audit Commission is to have its role extended from the local authority sphere and will conduct external audits and value-for-money comparisons throughout the NHS.

**Health authorities** - regional and district health authorities and family practitioner committees will become smaller under a drive to inject a more managerial, action-oriented approach to decision-making.

**Medical audit** — a system of medical audit to analyse the quality of medical care, treatment, use of resources and outcomes for patients will be established in all NHS hospitals by April, 1991, and there are plans to extend it to family doctors as well.

## REACTIONS

# Much evidence of disquiet

THE HOUSE of Commons all-party Social Services Committee has begun an investigation into the likely effects of the Government's proposed health care reforms. Many of the organisations giving evidence — regardless of their overall views of the proposals — have expressed doubts about the rapid implementation timetable envisaged by the Government.

The Joint Consultants Committee, which links the British Medical Association and the royal medical colleges and represents all hospital doctors on non-pay issues, called the first press conference in its 40-year history to express opposition to the proposals.

In its evidence to the Social Services Committee, the committee says it believes a number of modest changes in the funding and management of the NHS could have brought about significant improvements without exposing the service to the risks contained in the white paper.

It fears that the Government's proposals for self-governing hospitals will "change the prime aim of the management of these hospitals, from the provision of adequate care to the community as a whole to the financial success of the hospital." Experience from the US showed that there would be pressure on hospitals to encourage admission of patients with conditions that could be treated with financial benefit to the hospital.

"If some hospitals are encouraged to attract more patients, and therefore more funds, within a global total it follows that the funding of some other hospitals will suffer. The budgets of the 'losing' hospitals could well fall below the critical mass necessary to sustain more services in their own areas."

The white paper addresses the wrong agenda, the Royal College of Nursing says in its evidence to the Social Services Committee. It says the real health challenges of the 1990s are:

□ How to cope with the increasing health and medical demands of an elderly population which is growing in size, and thus becoming more frail and dependent.

□ How to maintain the shift in policy and priority towards health promotion and care in the community.

□ How to meet these challenges in the face of skill shortages which would affect nursing and every other profession supporting the health service.

**US experience "showed there would be pressure on hospitals to encourage admission of patients with conditions that could be treated with financial benefit to the hospital"**

The RCN says the main current problem in the NHS is underfunding. This remains the source of the greatest difficulty in the acute hospital sector, and was the root cause of the crises in late 1987 which prompted the Government's health care review. The Government's proposals would unleash a growth in administrative and medical costs.

Choice in health care under the Government's proposals would largely be restricted to doctors and managers, which would be a step backwards. Self-governing hospitals posed a threat to continuity of care, consumer access to a comprehensive range of local health care facilities and long-term planning.

The Institute of Health Services Management, in its evidence, says it supports much of the thinking behind the white paper but has a number of concerns. Prominent among these are:

□ The fact that no attempt has been made to address the "endemic underfunding" of the NHS.

□ The proposal to give tax relief on private health insurance for the elderly.

□ The very short timescale for implementation in the absence of any pilot testing.

The institute welcomes the Government's attempts to link workload and funding. But it says that while this might improve efficiency it will not solve "the essential problem of too little money in the system to provide the volume of care that the present level of hospitals and doctors could produce and which patients demand."

In its evidence, the National Association of Health Authorities says it would be concerned if the white paper's emphasis on acute services led to a neglect of long-stay and other priority areas. The association acknowledges that the Government proposals are aimed at encouraging efficiency, innovation and consumer choice.

It calls for an independent inspectorate in the NHS to ensure that quality is maintained in the move to the proposed market system. Like other organisations, NAHA fears that the Government has "significantly underestimated the timetable" for implementing its proposed changes.

Hugh Routledge

The Government, which narrowly escaped defeat on the abolition of free eye tests, is now taking on more controversy

## INCOME GENERATION

# Hospitals can make money

EARLIER this year Mr Kenneth Clarke, Health Secretary, went to Cambridge to unveil a commemorative plaque in a new shopping concourse at Addenbrooke's Hospital.

It was an occasion which well merited a ministerial visit. Income generation schemes are important to the Government — not only as a way of raising extra cash in the health service, but in order to get its managers thinking in a more commercial, businesslike way.

The 825-bed Addenbrooke's Hospital was one of the first in the NHS to be constructed with purpose-built shopping facilities.

Under an agreement between Cambridge Health Authority and British Airport Services, the shopping concourse has been re-developed and enlarged, and is now run by BAS on a concessionaire contract basis similar to that operated at British Airports Authority airports.

A group of nine shops, including a grocery shop, bank, hairdresser, gift shop and bookseller, surround a piazza-style cafe. Under the partnership agreement, BAS guarantees the health authority a minimum income of £100,000 a year.

The Government hopes to see similar developments on other hospital sites soon, and an Income Generation Unit has been set up in the Department of Health to help health authorities develop cash generation schemes.

With around 1m employees, the NHS is the largest civilian employer in Europe. Several million more people go to hospitals as patients and visitors each year. Staff, patients and visitors are all seen by supporters of the income generation drive as a large — and largely untapped — market for retailing and other commercial activities.

Mr Peter Thompson, a former NHS district general manager and now a health care management consultant, advises the North West Thames Regional Health Authority on income generation. He believes the Government's NHS reforms will generate a change in management culture which will lead to a rapid increase in interest in income generation.

**Mr Thompson predicts that hospital car park charges will become common practice in the next few years, as the Government's NHS proposals make managers think more positively about land and building use**

"A lot of NHS general managers have been frustrated by having everything tightly controlled from the centre. Now they are being given the opportunity to really manage, and income generation is one of the things they will be examining with enthusiasm. Apart from raising extra money, there is evidence that managers are better able to manage their core activities as a result of their involvement in income generation."

Mr Thompson recently visited the US and Canada to study income generation at hospitals there. In addition to retailing which, like most other people involved in income generation, he thinks has great potential opportunities for the NHS, he believes there are other areas which can be exploited. These include:

□ **Car parking** — Texas Medical Center at Houston — the largest medical complex in the world — has, Mr Thompson discovered, 21,000 parking spaces. A medical complex of this size is exceptional, but Mr Thompson found that it is normal practice in North American hospitals to charge for parking. Some US hospitals have their own petrol stations and car wash facilities as well.

He predicts that car parking charges will become common practice at British town centre hospitals in the next few years, as the Government's new capital charging proposals make managers think more positively about land and building use. Hospital visitors would, he believes, be prepared to pay reasonable charges in return for convenient parking facilities.

□ **Child care** — Demographic and social changes mean that the proportion of families with both parents working will increase. This is producing growing pressure on employers to provide child care facilities. The NHS, suggests Mr Thompson, has some of the necessary staff and an appropriate market image to offer to run company creches.

□ **Specialist activities** — Mr Thompson sees potential for health authorities to attach their names to a selection of activities, like health screening and weight management programmes, which have suitable connections with their mainstream activities. Franchising and selling services like insurance and holidays to NHS staff are other areas identified for development. North West Thames has its own free newspaper which is distributed to 1½m households — plans are now advanced for it to begin carrying advertising.

"There was a time when railway stations were regarded as places where you were lucky to find a dog-earned sandwich and a broken telephone," says Mr Thompson. "Now there are cash machines, a choice of meals and all the niche retailers. The NHS is the way railway stations used to be, and a natural candidate for similar development."

A programme of income generation similar to the NHS's one was launched in Canadian hospitals in the early 1980s. By 1985, income generation had become a significant activity in 90 per cent of Canada's large hospitals, with 39 per cent reporting earnings of between C$1m and C$5m. Some did considerably better than this, with 15 per cent of hospitals earning more than C$10m in 1985.

HEART DISEASE

# Where Britain is lagging behind

HEART DISEASE is Britain's biggest killer and efforts to reduce its toll are proving less successful than in comparable countries.

About 180,000 people die each year from coronary heart disease, and a further 2m suffer its effects. Quite apart from the human cost, the NHS's treatment costs exceed £500m a year. A National Audit Office (NAO) study suggests that around £250m is spent in sickness benefits to coronary sufferers, before taking account of broader economic costs arising from lost productivity.

**Australian, New Zealand and US falls in coronary deaths are much sharper**

Compared with these huge bills, the NAO report suggests that the amount spent on preventing coronary heart disease, while difficult to quantify, is closer to £10m a year. The NAO says that "much remains to be done" if Britain is to emulate overseas achievements in the field of prevention – death rates in some developed countries have declined four to five times more than in Britain. Australia, New Zealand and the US all show much sharper rates of reduction in coronary deaths than Britain.

The report has been welcomed by a wide range of health organisations. They say the NAO has confirmed their own view that the Government has failed to organise an adequate response to a condition which kills 500 people a day.

The National Forum for Coronary Heart Disease Prevention – whose members include heart charities, the British Medical Association, royal medical colleges and the National Association of Health Authorities – wants the Government to set up an inter-ministerial group on coronary heart disease prevention.

This would co-ordinate policy between government departments, on similar lines to groups which have been established to deal with alcohol problems, drug abuse and AIDS.

The National Forum believes a ministerial committee going across several departments *might end what it regards as* contradictions in present policy. It says these include:

- mounting a campaign to encourage teenagers to stop smoking, while permitting tobacco companies to sponsor sporting events, and allowing increases in tobacco taxation *to fall below the rate of inflation;*
- encouraging the public to adopt healthier diets while failing to ensure that foods are adequately labelled to show nutrition content;
- urging people to take more exercise while constraining the Sports Council's budget.

The group believes the public is now generally aware of the risk factors associated with *heart disease, and thinks the* time has come for the Government to redirect resources from advertising the risks to funding schemes of practical assistance.

It is concerned that the Government's £4m a year "Look After Your Heart" campaign allocates more than a third of its budget to advertising and only 10 per cent to grants to health authorities, at a time when many health authorities' coronary prevention programmes are hampered through lack of funds.

A survey by the Faculty of Community Medicine – part of the National Forum – found that 50 per cent of district health authorities had plans for developing coronary prevention programmes, but only 34 per cent had the money to implement them. A NAO study

**A campaign team of three was too small to cope with follow-up action**

of a sample group of district health authorities found that a quarter completely failed to mention coronary heart disease prevention in their short-term programmes for 1988-89.

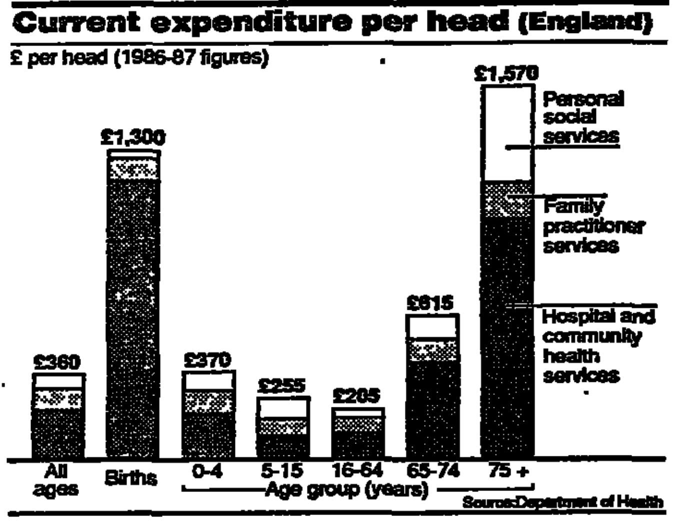
The NAO concludes that the "Look After Your Heart" campaign, started in England in 1987, suffered in its early stages from missed opportunities, caused partly by staff shortages. Although nearly 500 companies, for example, expressed an interest in the campaign, follow-up action could not be taken in most cases because the campaign team of three was too small to cope.

The report comments favourably on "Heartbeat Wales," a programme in the Principality which is operating around measureable targets – for instance, to reduce the proportion of smokers in the 18-64 age group *by at least* 5 per cent by 1990.

This programme, says the report, is based on an extensive survey of the lifestyles and risk factors of the Welsh population, with a structured plan of action to tackle each identified risk.

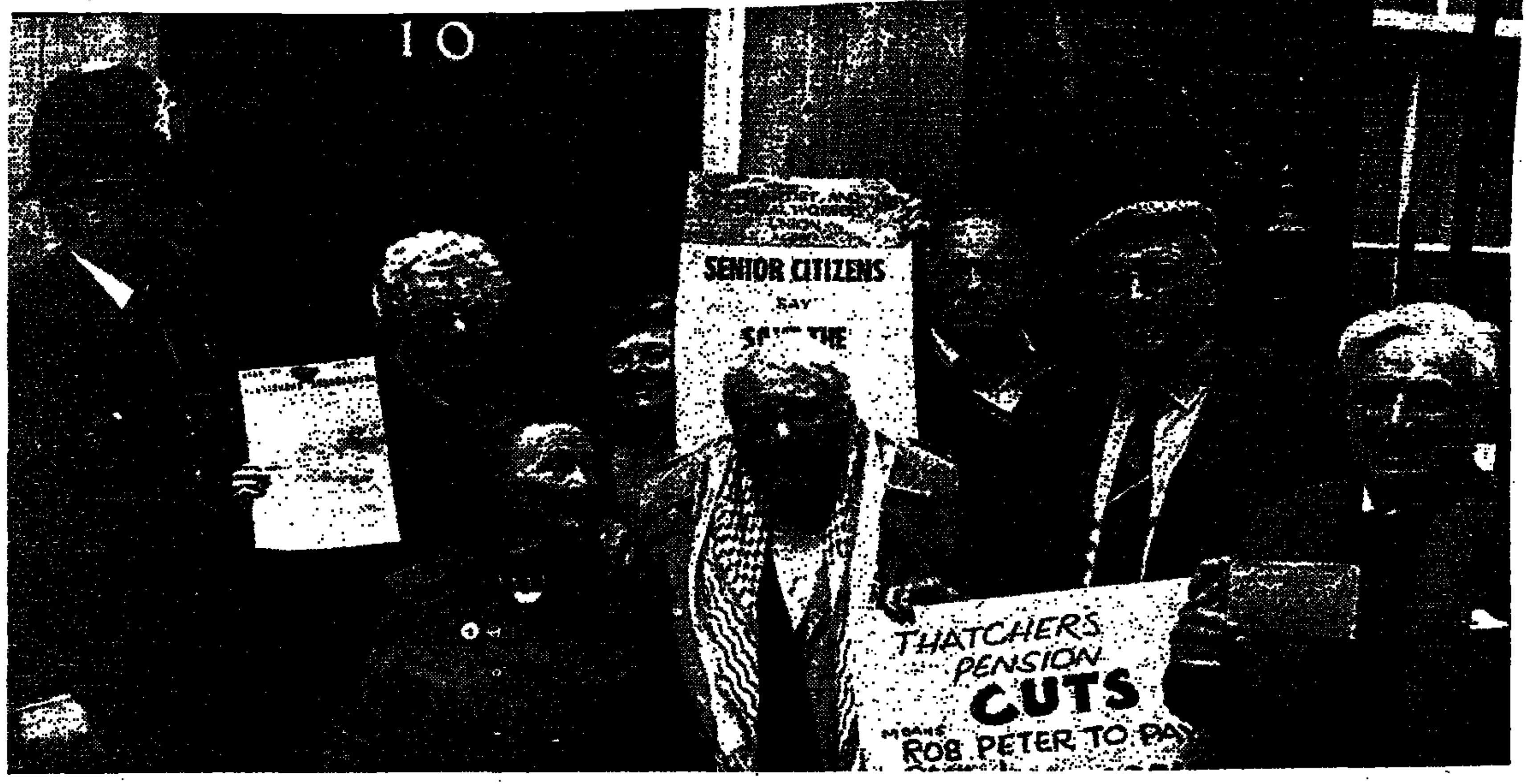
The programme had established effective links with a large number of outside agencies, leading to many health promotion initiatives. These included lean meat merchandising schemes, food labelling and education programmes involving supermarket chains, a community first-aid training programme and special initiatives for primary school children.

**Current expenditure per head (England)**



The future of community care

# Warning of financial crisis unless allowances rise substantially



Jack Jones, ex-leader of the transport union, leads a protest to 10 Downing Street by senior citizens. There will be far more in that bracket by the next century

NOW THAT the white paper "Working for Patients" has been published, Health Ministers and their senior officials are directing their attention to an issue of at least equal magnitude – the future organisation of community care.

Many critics argue that the Government should have tackled the questions of acute medical treatment, which are addressed in "Working for Patients," and long-term care at the same time. But Ministers took the view that this would have produced an impossibly complex agenda.

It is now more than a year since Sir Roy Griffiths, the Government's health service adviser, produced a report recommending a variety of changes to improve the way in which care in the community is delivered for adults who are mentally ill, mentally or physically handicapped or elderly. The recommendations envisaged local authority social services departments taking the lead role.

Demographic changes will produce dramatic increases in the proportion of very old people in the population between now and the early years of the next century. This has profound implications for both public policy and private provision of care home places.

The Treasury's bill for the board and lodging payments which finance elderly and handicapped people's accommodation in residential homes

**Some charitable organisations have been forced to restrict admissions to people who can afford to pay their own fees**

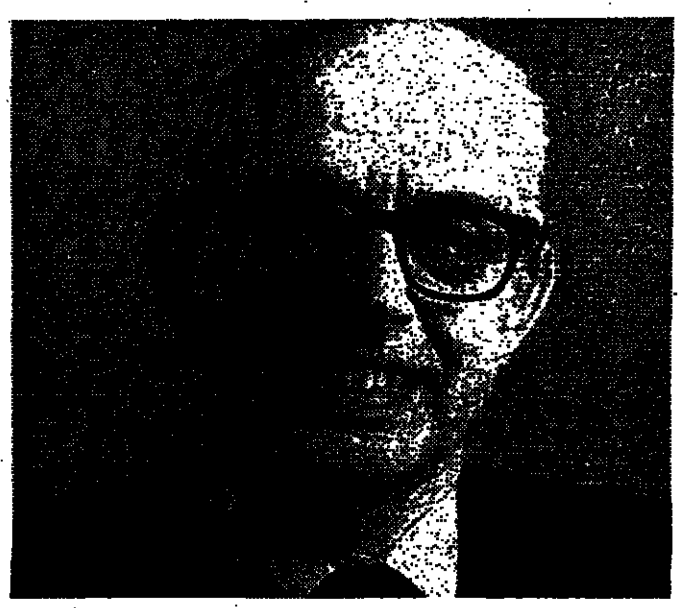
is already around £1bn a year. It is estimated that an extra 100,000 places in care homes will be required by the end of the century.

But even with such a growth in places, an increasing amount of care will have to be provided in individual's own homes – raising questions about how this should be provided and financed.

The private sector has been responsible for almost all the growth in care home provision during the 1980s. A review of the market by Laing & Buisson, publishers of private health care and long-term care directories, shows that the number of private nursing home places increased by 29 per cent between 1987 and last year, with the private sector now estimated to be a £1.6bn industry. An increasing number of corporate providers are moving into a sector once dominated by privately-run homes.

The future financing of the inevitable growth in community care is the dominant issue facing the sector. In spite of the £1bn being spent by the Government on board and lodging payments, both private and charitable providers warn that they face a financial crisis if the Department of Social Security does not substantially increase residents' allowances.

The Registered Nursing Home Association says there could be a financial crash in the independent sector without higher payments.



Sir Roy Griffiths, the Government's health service adviser

It adds that homes are able to sustain themselves financially only by subsidising the fees of residents on DSS income support from the payments of those paying their fees. But the proportion of people paying their own fees is declining.

Financial problems are leading to some homes refusing to take publicly-financed residents because of the levels of payment.

The National Council of Voluntary Organisations has given a similar warning on behalf of the charitable sector. Some charitable organisations have been forced to restrict admissions to people who can afford to pay their own fees.

Mr Barry Palmer, chief executive of the Abbeyfield Society, which provides nearly 1,000 supportive houses for lonely, elderly people says many residents are *now forced to rely on* charity to help meet their charges.

"We are a charity and proud of the fact that we can keep costs down, but our residents have never, or should never be, objects of charity. There are other organisations who care for the frail and disabled who face this dilemma, and we urgently call on the Government to raise the residential care home allowance to a realistic level."

Turning Point's advice on drink and drugs

# Problems to be tackled by the employer

DRINK PROBLEMS in the workplace – and even more so drug problems – are often ignored by managers and employees alike for as long as possible.

But there are more positive options than doing nothing and Turning Point – Britain's largest national organisation for drug, alcohol and mental health problems – is actively involved in promoting them. Next month, Turning Point, which celebrates its 25th anniversary this year, will stage a major conference in the City of London aimed at making personnel directors more aware of drink and drug problems at work.

**Employers are encouraged to produce formal policies in consultation with trade unions**

There are no precise statistics on the extent of drink and drug problems in the workplace. But one guide is provided by the fact that more than 25 per cent of people seeking help at drug centres have jobs.

Drink and drug problems in the workplace frequently result in unreliable performance, poor timekeeping, absenteeism and accidents. If ignored, they are likely to give rise to disciplinary and industrial relations problems.

Managers attending the Turning Point conference will be strongly advised not to ignore the problem. They will be told that the starting point – as with other health and safety issues – should be the establishment of a clear workplace alcohol and drug policy.

Policies should be constructive and positive, emphasising the help which is available to an employee trying to overcome drink or drug problems. Turning Point helps companies prepare written policy documents, as well as offering training and research.

The Health and Safety Executive, CBI, TUC and the Advisory, Conciliation and Arbitration Service (Acas) all encourage employers in consultation with trade unions to produce formal policies. Industrial tribunals, when considering unfair dismissal claims arising from drink or drug issues, are likely to take into account whether or not a company has a formal policy.

Turning Point says the focus of alcohol and drug policies should be impaired work performance and attendance because this provides "a legitimate basis for the employer to intervene without meddling in an employee's private life."

The intention of policies should be to assist employees to overcome their problem. Policies should apply equally to all staff, and since alcohol and drug problems should be seen primarily as health problems, people seeking assistance should receive the same facilities as those with other forms of ill-health.

Turning Point became involved with drink and drug problems in the workplace in 1985. Since then, it has co-operated with the CBI to produce a booklet on drug problems at work, set up training programmes within companies, and is planning a research project on the nature and prevalence of drink and drug use in the workplace. It is hoped that this research will enable the effectiveness of company policies to be evaluated.

PROFILE: GKN

# Engineering a healthier workplace

IN 1968 GKN, the engineering and industrial services group, made legal history by becoming the first British company to be successfully sued as a result of occupationally-induced cancer.

The implications of the case – Stokes v Garringtons (a GKN company) – are still referred to by managers today. Although GKN, with its early background in the iron and steel industries, had always had to give health and safety a high priority the case prompted the group completely to review its occupational health strategy.

One of the long-term results, exactly 20 years after Stokes v Garringtons, was the launching last autumn of GKN Occupational Health, a new industrial services division which will offer health and safety facilities both within the GKN group and on the open market.

Some 35 per cent of GKN's turnover now comes from industrial services rather than mainstream engineering, and its industrial services activities have grown five-fold since 1983.

Dr David Pulling, managing director of GKN occupational health, sees the marketing of health and safety services as a natural contribution to the group's development into industrial services – taking an activity which GKN began providing for its own group companies, and offering the expertise it has gained to outside customers.

He also sees his company entering a £1bn potential UK market, as both legal requirements and changing social attitudes force employers to give health and safety a higher priority.

Dr Pulling identifies four main reasons why health and safety should be treated as seriously as any other issue on the management agenda:

- legal requirements;
- liability for civil claims;
- reduction of risk;
- employee well-being.

"There are many reasons why these four factors are becoming higher priorities at the moment," says Dr Pulling. "Factors like the new regulations on the Control of Substances Hazardous to Health later this year, and a series of EC directives beginning next year with tighter controls over noise in the workplace, will add to the legal pressures on employers.

"Rising insurance costs and higher civil settlements are putting financial pressure on companies to introduce better health and safety policies. And, as part of the increasing awareness about health issues among the general public, there is a growing recognition that occupational health provision should form part of a company's overall pay and conditions package."

Dr Pulling is convinced that GKN can demonstrate, from its own experience, that a thorough and businesslike approach to health and safety can save money in a way which shows in the balance sheet.

The group has spent more than £5m during the past 10 years settling claims from employees whose hearing has been impaired by exposure to noise in the workplace. A recent decision was made to tackle noise problems through a more sophisticated, planned, hearing conservation programme involving several stages of activity – accurate noise measurement, identification of hazards, provision of hearing protection, audiometric screening, training and education, noise reduction techniques and, finally, audit of the effectiveness of the entire programme.

As a result of this programme GKN last year reduced its level of hearing compensation claims – which had recently been running at an annual £500,000 – to below £150,000.

GKN Occupational Health has compiled a Total Care Plan – a series of modules covering aspects of health and safety from which client companies can choose depending upon their particular requirements.

GKN occupational health mobile units can carry out a full range of medical checks

In addition to safety-related subjects, like the control of hazards, the GKN service aims to keep employees fit and identify health problems early through Well Woman and Well Man clinics.

A fleet of mobile health screening units enable checks to be carried out at factories, offices, construction sites and other workplaces – saving time on employees having to travel to hospitals or doctors' surgeries.

The mobile surgeries grew out of GKN's own needs. Changing patterns of employment mean that fewer people now work in big factories and many more on small and remote sites – GKN currently has 280 UK workplaces – and mobile medical services are the most efficient way of reaching them.

Dr Pulling is convinced that good occupational health services must be concerned with the general health of employees, as well as the more specific areas of their actual safety at work. The point managers must keep in mind, he emphasises, is that health affects an employee's ability to do the job efficiently and productively.

"I believe in simple screening techniques carried out at the workplace, because they provide an effective means of picking up many problems which can be tackled if detected sufficiently early."

Although humanitarian questions are a main consideration, Dr Pulling stresses that they are not the only ones. With approaching 350m working days a year lost in Britain through accidents and ill-health, an inadequate occupational health policy can prove a significant cost to an employer. When all the costs of reduced productivity, replacing sick employees and staff shortages are taken into account, investing in a healthy workforce can be made to appear an economically-efficient option.

"I see comparisons with the way many British companies used to think spending money to obtain high quality products was an additional cost, rather than an essential investment in order to remain competitive. We can now see the beginning of a recognition that it is equally important to invest in the health of a company's human resource."

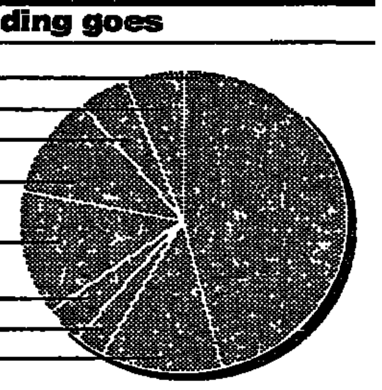
GKN Occupational Health's facilities include 43 full and part-time medical officers, 35 nurses, support chemists, laboratory facilities and education, conference and training services.

Dr Pulling advises managers who want to improve health and safety to begin by establishing a base line for future activities through an environmental audit of the workplace and pre-employment checks on employees.

This should then lead to regular monitoring of the working environment, safety procedures and employee health – both general health and their exposure to potential hazards.

## Where NHS spending goes

| | |
|---|---|
| Acute | 45% |
| Maternity | 6% |
| Mentally handicapped | 5% |
| Mentally ill | 11% |
| Elderly | 13% |
| HQ administration | 4% |
| Children | 3% |
| Other | 12% |



1986-87 figures    Source: Department of Health

PROFILE: TADWORTH COURT

# How independence saved a hospital

FIVE YEARS ago this month the management of Tadworth Court Children's Hospital in Surrey was transferred from the National Health Service to a new independent charitable trust.

The transfer brought to an end a passion-rousing campaign to save Tadworth Court, the country branch of London's famous Hospital for Sick Children at Great Ormond Street, from closure.

In one sense, the campaign was a failure. The first hope of the campaigners had been to retain the hospital within the NHS, and the idea of independent operation arose only after this attempt failed.

But in another sense, it has been a remarkable success story and one which has proved ahead of its time – there are parallels between Tadworth's independent status and the Government's present proposals to encourage NHS hospitals to become self-governing outside direct health authority control.

"We are a relatively small unit and I do not think what we have done could provide the model for a big teaching hospital like St Bartholomew's or St Thomas's to become self-governing," says Mr Barry Hassell, Tadworth Court's chief executive. "But I imagine any small, specialist units which become self-governing will find themselves going through similar experiences to ours."

Tadworth Court, which cares for chronically sick, handicapped and terminally ill children, became independent with one very considerable advantage on its side. The campaign against the threatened closure had united staff, parents of patients, national charities and the local community to a remarkable degree. It became independent in a spirit of unity which is likely to elude some of the self-governing hospitals of the future.

Mr Hassell, a management consultant who had been involved with the campaign to save the hospital, took over as chief executive on independence day. It did not take him long to discover what independence meant.

"Overnight, we were cut off from our supplies of medical equipment and drugs. Only slightly less dramatic was the loss of all the NHS central services.

"Until independence, countless things like accounts and building maintenance had been handled from London. Now we were responsible for everything ourselves, with almost no management structure to cope with it."

Mr Hassell has established a conventional management structure around a team of seven senior administrators. Managers report to a board of directors chaired by Mr Tim Yeo, former director of the Spastics Society and now a Conservative Member of Parliament.

**Funding comes from health authorities, social services departments and education authorities**

The hospital currently has 220 staff – the equivalent of about 160 full-time posts. When it became independent all staff were offered the opportunity of transferring from the NHS to the new trust, and only one person declined.

The new structure, says Mr Hassell, has given managers a clearer overall understanding of the services they are providing. Staff are encouraged to "get out and see how other people work" by attending conferences and training courses, combatting any feelings of insularity which might have arisen from leaving an organisation as vast as the NHS. The new management has established its own building manager and direct labour workforce to adapt and develop the hospital to house expanding services.

Under the terms of the transfer from the NHS, the Tadworth Court Trust is leasing the hospital buildings at a nominal rent for 99 years. But direct government financial support is coming to an end. Department of Health finance accounted for 83 per cent of Tadworth Court's income in the first year of independent operation. This had declined to 34 per cent last year. It will come down to 15 per cent in the 1989-90 financial year and then be phased out.

Tadworth Court is not a private hospital in the conventional sense – its facilities remain free at the point of delivery to patients, as they will in self-governing hospitals.

Direct Department of Health funding has been replaced from a variety of other, largely public, sources – health authorities, social services departments and education authorities which send children to the hospital and its associated St Margaret's School. Voluntary donations make up about 15 per cent of total income – £300,000 last year.

"As a result of the changes in funding which were forced on us by becoming independent, we have a better financial mix and a good deal of security," says Mr Hassell. Tadworth Court is also uniquely well placed to trade within the Government's proposed internal market in health care, since that is precisely what it has been doing for the past five years – health and local authorities throughout the country send children there for specialist care.

One of Tadworth Court's main activities is the care of children suffering from cystic fibrosis and other chronic conditions. It also provides short-term respite care for profoundly handicapped and chronically sick children – providing a rest for their families – hospice care for the terminally ill and a unique children's head injury rehabilitation unit.

Mr Hassell and his colleagues have been keen since independence to identify and develop new facilities and the school, which opened in 1985, is an example of this. The hospital currently has a £1m expansion plan, and it is looking to voluntary sources to raise the money.

## Glasgow's Healthy City Plan

# Cutting the death rate

GLASGOW, which, in spite of a much acclaimed urban renewal programme has some of the worst health problems in the western world, is this year engaged in a positive attempt to become a healthier city.

It is one of 25 European cities taking part in the World Health Organisation's Healthy Cities project, which aims to improve premature death and infant mortality rates and virtually eliminate infectious diseases by the year 2000.

Glasgow District Council, Strathclyde Regional Council, the city's two universities, Greater Glasgow Health Board and voluntary organisations are all partners in the project. A steering group last week produced an initial position statement, which will led to a detailed Healthy City Plan containing specific health improvement targets in the autumn.

"We wish to return to the principles of public health wherein we recognise that improvements in environmental and social conditions reduce the incidence of disease," says Dr Thomas Thomson, chairman of the steering group.

*Glasgow's health record* compares badly with the rest of Scotland, which is itself poor by international standards. If Glasgow death rates among under-65 year olds were reduced even to the Scottish average, there would be nearly 1,000 fewer deaths a year.

The city, like many parts of the UK, shows remarkable social and geographical disparities in its health indicators. People living in its most deprived areas are $2\frac{1}{2}$ times more likely to die before the age of 65 than those in *affluent* parts of *Glasgow*.

Many of these deaths, says the steering group, could be avoided by a combination of changes in individual life-styles and improved social conditions.

The Healthy City Plan in the autumn will be based on a detailed analysis of the state of health of the city's various communities and social groups, and will assess the impact of current health and social policies.

After the plan has been produced, the steering group intends to identify examples of good practice and extend these to other parts of the city; initiate a wide-ranging debate in Glasgow about health issues; develop education programmes in the universities, colleges and schools and create working links on health issues with other cities in the UK and elsewhere in Europe.

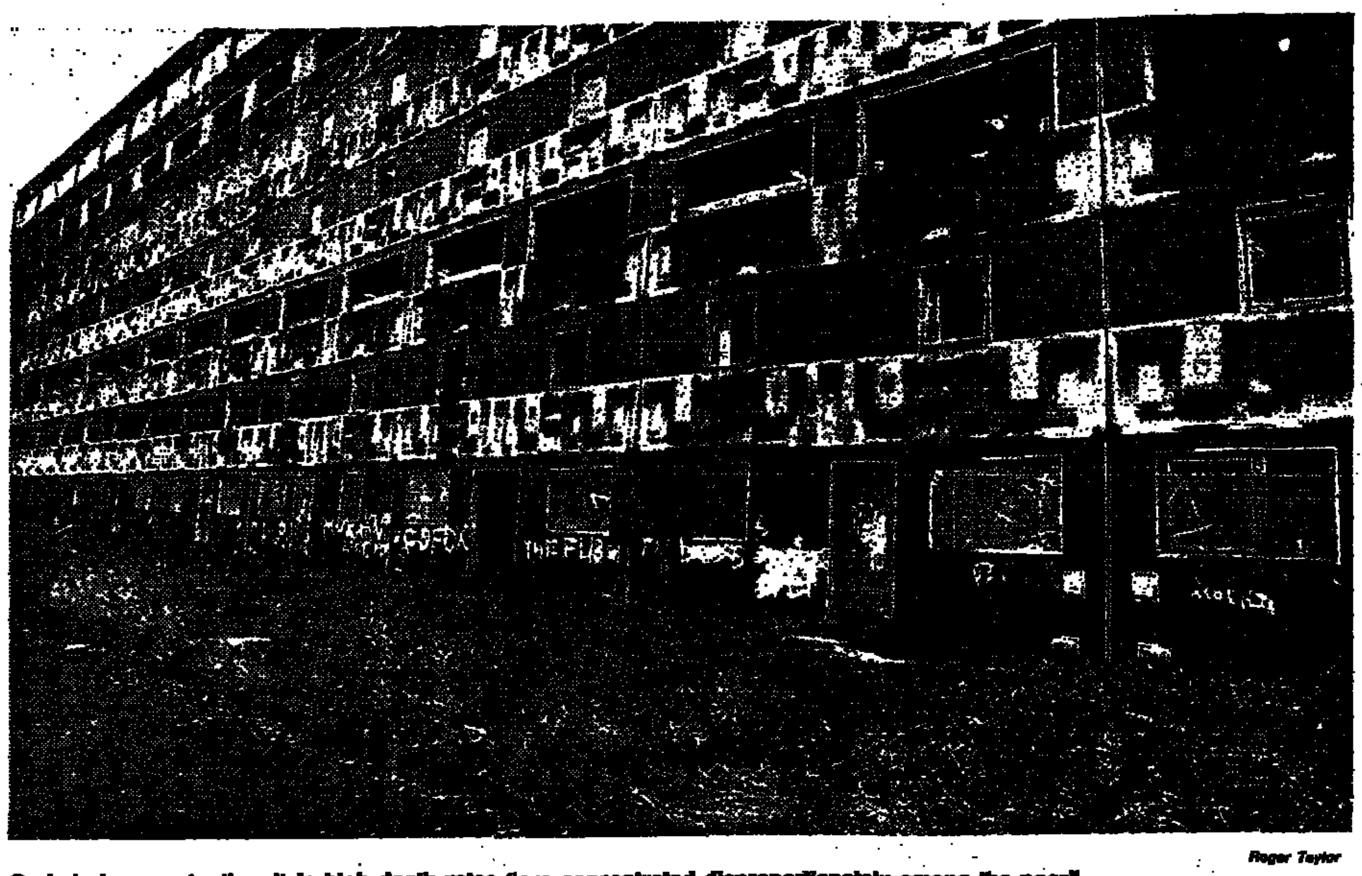
Glasgow, says the steering group in its initial position statement, has undergone a transformation through economic regeneration, environmental change and cultural improvements. These include Gear – the largest inner-city redevelopment project in Europe – and the widespread upgrading of old tenement flats.

Major new amenities like the Scottish Exhibition and Conference Centre have been developed and shopping facilities have been renewed.

But not everyone has shared equally in these improvements, says the group.

Too many of Glasgow's citizens still live in poverty, with low incomes, in damp, unattractive and unsuitable housing and with insufficient social and leisure amenities, it adds.

"Many of these factors contribute to an unenviable record of ill-health in the city, in which death rates for both men and women are among the highest in the western world and are concentrated disproportionately among the poor."



Gorbals tenements: the city's high death rates "are concentrated disproportionately among the poor" Roger Taylor

## PRIVATE SECTOR

# Reforms provide opportunities

BRITAIN'S PRIVATE health sector could be just as radically transformed as the NHS by the Government's health care review.

The Government's proposals contain a clear opportunity for the private health insurance companies – the decision to allow tax relief on health insurance for people aged 60 and over – and some opportunities mixed with challenges for the private hospitals.

The tax relief provision comes into effect in April 1990. Both elderly people themselves and others purchasing private health insurance on their behalf – for instance their children – will be able to claim relief. The latter group is *particularly significant* in terms of the likely size of take-up.

The early months of next year will see the development and marketing of new packages from the health insurers aimed at elderly people and their families. This will build upon recent attempts by many of the insurers to make private health insurance more accessible to the elderly and people on relatively modest incomes.

These developments include the introduction in 1987 of Budget Bupa from the British United Provident Association, the leading UK company in the field, which aims to give the main forms of surgical cover at competitive costs; Private Patients Plan's Retirement Health Plan, which has no upper age limit; Sun Alliance's Prompt Care Plus Plan, which is open to anyone up to the age of 74, and Crusader Insurance's link with Nuffield Hospitals in a bid to offer lower cost private insurance.

More than 5m people in the UK are currently covered by private medical insurance, some 70 per cent of them enrolled in schemes by their employers.

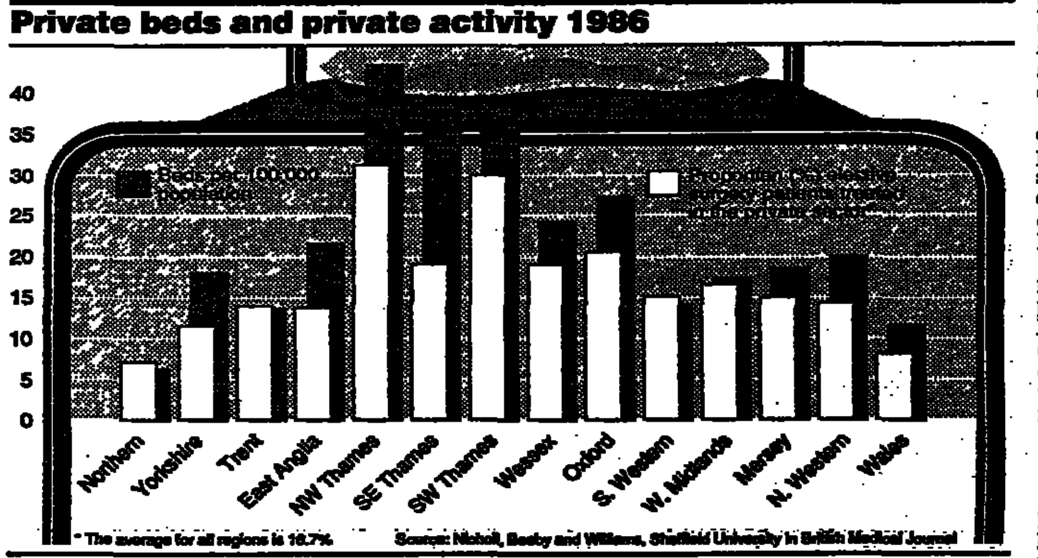
At present, a high proportion of people enrolled in employers' schemes leave them when they retire from work. The explanation is simple – they have to start paying their own contributions at a time when they move from salary to pension – but health care needs grow with age.

The market for private health insurance divides into three sections – individual purchasers, large companies enrolling their employees in schemes and smaller companies. "The boom area recently has been among the small companies," says Mr Roy Clarke, who is in charge of Bupa's insurance services.

"Smaller organisations competing for key staff increasingly have to offer a complete employment package and health insurance forms a natural and expected part of this. It is from the smaller businesses, plus the surge of interest we are expecting from the over-60s market, that growth is likely to come."

A recent Incomes Data Services survey of private medical insurance in 53 (mainly large) organisations found that, in general, company-financed schemes were still restricted to directors, senior managers and other senior staff. Where health insurance was provided as a free benefit, take-up tended to be high. But the survey showed that in voluntary schemes – where employees had to meet the cost – participation was usually well below 10 per cent.

**Private beds and private activity 1986**



* The average for all regions is 16.7% Source: Nicholl, Beeby and Williams, Sheffield University in British Medical Journal

Tax relief on health insurance contributions for people aged 60 and above is a direct benefit to the private sector flowing from the Government's *health care reforms*. The private hospitals have been offered something more indirect – the opportunity to compete in the freer health care market which the Government is trying to create.

Britain's private hospitals have experienced mixed fortunes in the 1980s. The influx in overseas, particularly Middle Eastern, patients for treatment in Britain has declined sharply during the decade.

Private hospitals have relatively high fixed costs, and the loss of overseas patients has had a severe effect on profit margins, particularly at some of the larger central London hospitals. The sector has been forced to look to expansion in the UK market for future growth.

Last year, more than 94 per cent of in-patients in AMI Healthcare's UK hospitals – which include the famous Harley Street Clinic and the Portland in London alongside a dozen other acute hospitals in London and elsewhere – were from the UK.

While 94 per cent of AMI Healthcare's £109m turnover last year came from the acute sector it is, like other private health organisations, actively developing new activities. Both AMI and Bupa have identified occupational health as a significant area of future growth, and AMI has also established three private psychiatric hospitals.

But directors of private hospitals are currently concentrating their attention on the opportunities provided by the Government's proposed reforms. The private sector has 6 per cent of acute hospital beds, and carries out approaching a fifth of all elective (waiting-list type) surgery in England.

But this activity is very unevenly spread geographically. A Sheffield University study this year showed that while more than 30 per cent of elective surgery in parts of London and the South-East are carried out privately, the figure in the Northern region is only 6 per cent.

Many private hospitals already conduct operations under contract for NHS health authorities, and joint ventures between the *two* sectors are well-established. This type of activity is certain to increase as, under the reform of health financing proposed by the Government, health authorities and GPs budget holders begin shopping around for hospital care.

"I envisage that the reforms could lead to some private hospitals concentrating exclusively on NHS patients," predicts Mr Tony Byrne, chief executive of the Independent Hospitals Association.

Provided there is genuinely fair competition between the public and private sectors, says Mr Byrne – which will depend on factors like the fine details of the Government's proposals to introduce a commercial form of charging for capital assets in the NHS – there is no reason why the private sector should not win large numbers of contracts in the open health care market. This could lead to investors building new private hospitals to take on growing amounts of NHS work.

"There could be a distinct role for the famous London private hospitals as centres of excellence in specialist fields, alongside the NHS teaching hospitals," suggests Mr Byrne.

Private hospital directors are aware, however, that a more open market has its price. The self-governing hospitals which the Government intends to establish in the NHS will also have to work hard to attract patients and, alongside new opportunities, the private hospitals will find new competition.

# Improving the life of the elderly

PARTNERSHIP In Practice, a private joint initiative in health, social care and housing for elderly people is being launched today in London.

Help the Aged (UK) and EGV Fonden of Denmark have joined forces to form a commercial enterprise which, they say, is unique because it will promote and develop partnerships between statutory, voluntary and private sectors for the provision of facilities and services for elderly people.

The enterprise will provide qualified and experienced management and consultancy services for any organisation "as long as it subscribes to the principles of quality, personal choice and dignity which Partnership in Practice will promote."

Help the Aged believes that the Danish cultural environment has managed to promote the status of retired and elderly far more effectively than that in Britain. Its partner, EGV Fonden, has for many years acted as agents to Danish public authorities in the design and development of housing, community care and extra care facilities.

The new company says that it is very unusual for any project aimed at improving the life of retired or elderly people to be contained within a single organisation – generally there has to be co-operation between a number of agencies to guarantee the success of the project.

Mr John White, chief executive of Partnership in Practice, says: "We will adopt a pragmatic approach to the many issues that confront providers in all sectors today, but will do so according to professional principles and standards of excellence that will demand improvements in the way services and facilities are being developed by the public and voluntary sectors and by private enterprise.

"We are confident that this service will be invaluable to any organisation concerned with the needs of elderly or frail people."

□

Financing Healthcare for the Elderly, a report by James Webber, has recently been issued by Tillinghast, part of Towers Perrin, the management consultants.

The 62-page report, presented to the Staple Inn Actuarial Society earlier this year, looks at the current market opportunity for products which meet the health care costs of the elderly, at characteristics of the market and at the insurance of acute and long-term health care. It also considers how state benefits can create opportunities for health care products and how the private sector can learn lessons in product design from the state.

The report is designed for use by professionals. GB

With Healon, Pharmacia is among the world leaders in the market for visco-elastic products intended for use in ophthalmic surgery. It is estimated that more than 2m ophthalmo-surgical operations were performed worldwide in 1986. The most common type of operation is intra-ocular lens implantation when a cataract is removed

FINANCIAL TIMES
# COMPANIES & MARKETS
Tuesday April 11 1989

## INSIDE

### Hersant causes Spanish uproar

Robert Hersant, publisher of France Soir and Le Figaro, has unleashed a storm of *controversy by acquiring* some 30 per cent of Grupo 16, the Spanish publishing corporation. Grupo 16's founder, majority shareholder and president, Juan Tomas de Salas, yesterday said he was prepared to buy back the stock acquired. But business sources said this could be a prohibitively costly operation as the French company had bought shares in the past week by paying as much as 15 times their nominal value. Tom Burns reports from Madrid. Page 24

### Picking up the shards at Waterford Glass

Waterford Glass, the troubled Irish-based crystal group which owns the Wedgwood china company, reported pre-tax profits of only I£2.7m (£2.25m/$3.8m) for 1988 and published a powerful indictment by accountants Peat Marwick McLintock of management inadequacy. Richard Tomkins reports. Page 30

### TDK heightens US anxieties

Fresh US anxieties over the Japanese advances in high-technology industries seem certain to be aroused by TDK of Japan's $200m agreed bid for Silicon Systems, a California-based semiconductor maker. TDK is the world's largest maker of magnetic recording tapes, and US handling of the case will be watched carefully by Japanese government and industry officials, reports Ian Rodger. They have been disturbed by the rise of anti-Japanese sentiment in the US in recent months and will be on the lookout for any sign of discrimination. Page 25

### Rubber's winning hand

Rubber producers have wrested an 8 per cent rise in International Rubber Organisation support prices, which are now high enough for nearly all of them to make a profit. Although the cards were stacked in their favour, producers regard the rise as a major achievement as many importing countries were arguing for a lower increase. Page 36

### Digging for worldwide victory

Japanese construction and earthmoving machinery makers have begun to plough a furrow outside their native market. They are slowly increasing their production capacity outside Japan, with some 21 facilities owned, partly or wholly operated, or planned mainly in the US and Europe. These plants range from greenfield sites to joint ventures with North American and European producers, writes Nick Garnett. Page 25

**Chief price changes yesterday**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **FRANKFURT (DM)** | | | | **PARIS (FFr)** | | | |
| Rises | | | | Rises | | | |
| Karstadt | 454 | + | 13 | Accor | 620 | + | 6 |
| Kaufhof | 433 | + | 12 | Carrefour | 3740 | + | 60 |
| RWE | 272.5 | + | 5.5 | Docks de France | 4275 | + | 175 |
| Schering | 618 | + | 17 | LVMH | 3890 | + | 47 |
| Veba | 297 | + | 7 | Peugeot | 1715 | + | 20 |
| Falls | | | | **TOKYO (Yen)** | | | |
| Nixdorf | 295 | − | 2 | Rises | | | |
| **NEW YORK ($)** | | | | Aichi Machine | 1120 | + | 102 |
| Rises | | | | Hoko Fishing | 780 | + | 100 |
| Campbell Soup | 39¼ | + | 4⅞ | Nippon Chemical | 1210 | + | 160 |
| Gulf & West. | 51⅞ | + | 2¼ | Falls | | | |
| Scotty's | 14⅞ | + | 2⅝ | Katakura Inds. | 2600 | − | 170 |
| Time Inc. | 115⅞ | + | 4⅞ | [illegible] | 1540 | − | 110 |
| Tribune | 44⅛ | + | 1⅞ | Kyushu Denki. | 1100 | − | 90 |
| Falls | | | | | | | |
| Formica | 19⅞ | − | [illegible] | | | | |
| **LONDON (Pence)** | | | | | | | |
| Rises | | | | Cable & Wire. | 450 | − | 13 |
| [illegible] | 85 | + | 6 | Cons. Gold | 1340 | − | 55 |
| [illegible] | 142 | + | 14 | Fed. Housing | 226 | − | 8 |
| Highland Dist. | 187 | + | 8 | GKE | 203 | − | 4 |
| Lambert Hlw. | 173 | + | 23 | Gen. Accident | 970 | − | 15 |
| [illegible] | 88 | + | 3 | Lonrho | 319 | − | 8 |
| Pavilion Leis. | 157 | + | 34 | Mecca Leis. | 174 | − | 15 |
| Reed Exec. | 192 | + | 7 | Morgan Grnfl. | 276 | − | 11 |
| Wellcome | 486½ | + | 8½ | RMC | 632 | − | 12 |
| Falls | | | | Sun Alliance | 1121 | − | 23 |
| Accord Pubs. | 95 | − | 15 | Tarmac | 292 | − | 9 |
| BAT | 541 | − | 10 | [illegible] | 278 | − | 10 |
| Bass | 885 | − | 9 | | | | |

# Medicine men differ over magic formula

## Peter Marsh looks at the pharmaceuticals market in the light of Beecham's merger talks with SmithKline

RESOURCEFUL go-getters – or scared rabbits? Analysts cannot make up their minds which of these descriptions fits SmithKline Beckman of the US and Britain's Beecham, which are discussing a partial merger to create the world's second biggest pharmaceuticals group.

From one viewpoint, the logic behind the deal looks impeccable. It would create a company with annual sales of about $4bn and provide useful economies of scale in research and development (R&D) and marketing – two crucial, and increasingly expensive, aspects of pharmaceuticals.

The proposed combination can also, however, be viewed as entirely defensive. In recent months both SmithKline and Beecham have been regarded by some analysts as being in line for a takeover by other healthcare businesses. "By coming together they'd be so big they'd be bid-proof," says a senior executive in a rival drugs company.

The groups are expected within a few days to announce more details of the plans, and the difference of opinion between outsiders about the nature of the proposed SmithKline/Beecham combination is, perhaps, understandable given the chameleon-like nature of the $120bn-a-year drugs industry.

Driven by shifts related to the regulatory, scientific and social aspects of how the sector relates to the outside world, the industry is undergoing a great many changes. These are to some degree responsible for the range of views about the business.

On one hand, the big pharmaceutical companies are seen as imaginative titans, spending vast sums in an effort to unravel near-incomprehensible aspects of human biology.

Others see the industry as deserving more sympathy than admiration. Drugs companies are subject to a great number of government regulations – covering not only development procedures but safety, pricing and patents – that severely limit their room for manoeuvre.

A third point of view has become prominent in the past decade, mainly from consumer organisations. This is critical of what is often said to be the industry's high-pressure selling tactics related to doctors, who form the main body drug companies must convince of their products' value in order to build up sales.

From a purely commercial stance, at the heart of the SmithKline/Beecham merger talks is how the industry approaches rising costs in the twin fields of both R&D and marketing.

Most big drugs companies spend 10 to 15 per cent of turnover on R&D, a proportion much higher than that for almost any other industry. But few people, even within the drug industry, seem able to agree on whether the large research outlays are a *sign of the sector's strength or of* its weakness.

Some see the enormous research efforts as visionary. Mr Igor Laundau, head of the drugs division at Rhône-Poulenc, the big French chemicals company, says: "Even now perhaps only 50 per cent of people's therapeutic needs can be met with existing drugs," he says. "The game is still wide open."

Others, however, point to the fact that much of drug industry R&D is driven by external factors over which the business has very little control.

Only a relatively small part of the industry's R&D cash involves pure scientific work in which laboratory workers dream up new ways to tackle illnesses. The rest is directed towards the clinical trials which new drugs must undergo before they receive a government product licence.

Many drugs companies are increasing R&D outlays at a rate of about 20 per cent a year, in a market that is growing at half this pace.

Despite the heavy rises in spending – US drugs companies spent more than $5bn on R&D last year, four times as much as a decade ago – the number of new prescription medicines approved worldwide last year was 52, less than the yearly average in the mid 1970s.

Another, related, worry is the lengthier development times that the more rigorous trials procedures entail. These have pushed up the time between the patented invention of a product and its appearance on the market from about five years in the 1970s to double this today.

As a result a drug company, in the light of patent lives in most countries of 20 years or less, commonly has only about eight years to market a new drug under patent protection before cheap copies of the product appear.

Ways under study in the drugs industry of both improving research productivity and cutting development times include efforts to introduce tighter management discipline into research procedures. In this way, companies might be in a better position to drop research projects which appear to be going badly.

New scientific techniques could help. Using biotechnology, scientists are trying increasingly to custom-design new drugs to influence specific physiological functions implicated in disease.

The quality of the people in R&D is also crucial. "It matters less how much you spend; the key is how productive you are," says Mr Joseph Temple, chairman of the Merrell drugs division of Dow Chemical, the big US chemicals company.

To back up this point, he says that about a third of the 1,200 people his division employs in R&D have been recruited in the past eight years, to replace a somewhat larger number who have left. Because the new people appear to be either more highly skilled or better organised, Mr Temple says the innovative powers of his laboratories as measured by research breakthroughs is increasing.

Looked at in this light, a Beecham/SmithKline deal would probably mean that a sizeable proportion of the 5,100 R&D workers currently employed by the two groups would lose their jobs. By keeping only the most productive people, and taking the best ideas in research management from both component groups, a merged unit might well be able to increase the effect of the existing SmithKline/Beecham R&D efforts.

Similar benefits could be expected in the field of marketing. Beecham has only a thinly spread sales effort in the US, the world's biggest market for drugs and one where SmithKline is well represented.

Marketing is highly expensive in employment costs. Most big drugs companies employ about 2,000 marketing people in the US, with perhaps 1,000 in Japan and a similar number in Europe.

In theory, SmithKline's marketing staff, who at present are mainly concerned with efforts to keep up sales of Tagamet the anti-ulcer drug, could also promote not only Beecham's existing products but some of the UK company's promising looking heart drugs which are proceeding through the late stages of development.

A closer look at the details of pharmaceuticals marketing may, however, pose a challenge to this particular argument in favour of the merger. The industry is very different from many other sectors in that the degree of market fragmentation, both by company and product area, is very high.

Merck, the biggest company, accounts for only about 4 per cent of total world sales, while Glaxo has about 3 per cent. As Mr Bernard Taylor, chief executive of Glaxo explains: "The drugs business is not like the car industry or retailing; the truth is that we rarely meet Merck in the same market place."

Underlining this fragmentation is that while in some areas like heart drugs there is a large amount of competition between specific drugs which have virtually the same properties, in many other fields companies have product "niches" in which there may be no significant competition in a specific local market.

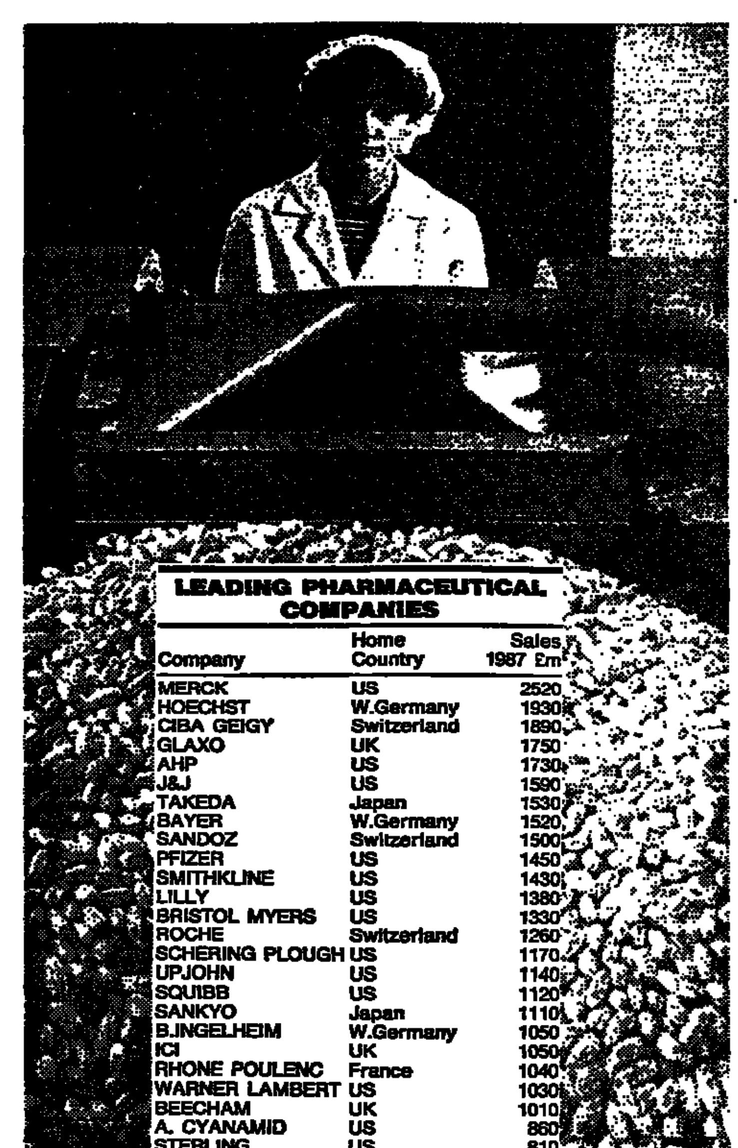
That takes into account not only different disease patterns in specific countries – the French appear to be more susceptible to liver complaints than people in many other countries while the Japanese are less prone to heart ailments than Westerners – but the extent to which specific companies have a strong sales presence.

This sort of argument may mean, say some observers, that a rigid assembly of world marketing forces along the lines of that envisaged in the proposed SmithKline/Beecham arrangement may be less appropriate than a series of more flexible, ad hoc deals

Such joint ventures will be the way the industry goes in the future, according to Mr Robert Cawthorn, chairman of Rorer, a medium sized but fast growing US drugs company.

In contemplating their merger, both Beecham and SmithKline are undoubtedly looking over their shoulders at the Japanese. The two companies, like many other Western drugs groups, believe Japan may over the next decade become a formidable pharmaceutical powerhouse.

Japanese companies are stepping up their research and marketing efforts and are making steady headway. Of the eight fastest growing drugs groups over the past few years four – Yamanouchi, Daiichi, Sankyo and Eisai – are from Japan.



**LEADING PHARMACEUTICAL COMPANIES**

| Company | Home Country | Sales 1987 £m |
|---|---|---|
| MERCK | US | 2520 |
| HOECHST | W.Germany | 1930 |
| CIBA GEIGY | Switzerland | 1890 |
| GLAXO | UK | 1750 |
| AHP | US | 1730 |
| J&J | US | 1590 |
| TAKEDA | Japan | 1530 |
| BAYER | W.Germany | 1520 |
| SANDOZ | Switzerland | 1500 |
| PFIZER | US | 1450 |
| SMITHKLINE | US | 1430 |
| LILLY | US | 1380 |
| BRISTOL MYERS | US | 1330 |
| ROCHE | Switzerland | 1260 |
| SCHERING PLOUGH | US | 1170 |
| UPJOHN | US | 1140 |
| SQUIBB | US | 1120 |
| SANKYO | Japan | 1110 |
| B.INGELHEIM | W.Germany | 1050 |
| ICI | UK | 1050 |
| RHONE POULENC | France | 1040 |
| WARNER LAMBERT | US | 1030 |
| BEECHAM | UK | 1010 |
| A. CYANAMID | US | 860 |
| STERLING | US | 810 |
| WELLCOME | UK | 810 |
| SHIONOGI | Japan | 790 |
| SCHERING AG | W.Germany | 780 |
| FUJISAWA | Japan | 740 |
| DOW | US | 680 |

Source: ICI

# Takeover looms for Italian publisher

By John Wyles in Rome

Mr Carlo De Benedetti is set to provoke a major shake-up in Italian publishing by promoting the takeover of L'Espresso group, publisher of Italy's top selling daily newspaper La Repubblica, by Arnaldo Mondadori Editore.

Financial details are due to be released on Thursday but the overall purchase will cost Mondadori more than L'Espresso's current market capitalisation of close to L700bn ($504m).

The first stage will be the purchase of the controlling shareholdings in L'Espresso held by Mr Carlo Caracciolo (35 per cent) and Mr Eugenio Scalfari, the founding editor of La Repubblica, who owns 10.6 per cent.

This will be followed by a public offer for the outstanding shares in L'Espresso, which a spokesman for Mr De Benedetti claimed last night would make Italian history by matching the terms paid to the company's two main shareholders. Sale of a controlling shareholding often earns a premium in Italy to the resentment of minority owners.

The deal will put Cir, Mr De Benedetti's principal Italian holding company, in control of Italy's largest publishing group with an expected turnover of L2,400bn this year. Cir controls 33 per cent of Mondadori directly and 28 per cent of the holding company Amef, which owns 50 per cent of the publisher.

The deal will also clearly place the Italian financier and industrialist in the elite group of Italian newspaper proprietors alongside, and in some cases in front of, Mr Gianno Agnelli (Corriere della Sera and La Stampa), Mr Raul Gardini, (Il Messagero) and Mr Silvio Berlusconi (Il Giornale).

The logic of the takeover lies partly in Mr De Benedetti's conviction that size counts in the European market, partly in the existing collaboration between the two companies and partly in developments in Italian advertising and publishing. Mr De Benedetti's spokesman said last night that the merged group would be "of a European dimension" and would assuredly develop a European strategy.

Its principal domestic rival will be the Rizzoli-Corriere della Sera group, controlled by Fiat through the Gemina holding company, which two years ago went into partnership with the French publisher Hachette through an exchange of shareholdings.

The takeover will also bring under the same banner the two top sellers and very keen rivals in the Italian news magazine market, Panorama and L'Espresso.

# Blue Arrow board in dark on loan

By Vanessa Houlder in London

Blue Arrow's controversial £25m loan to Mr Peter de Savary, the entrepreneur and yachtsman, was almost certainly made without the knowledge of the non-executive directors.

"I do not believe that the full board knew about it when it went ahead," Mr Mitchell Fromstein, chairman and chief executive of the UK-based employment agency group which includes Manpower, said yesterday.

This may shed new light on an abrupt change of heart by Blue Arrow's non-executives. Just five weeks after Mr Fromstein was forced to resign in December, the board invited him back as chief executive and stripped chairman Mr Tony Berry of his executive powers.

Mr Fromstein said the possibility of the loan had been raised at a board meeting in November, when both men were still on the board, and met with an unenthusiastic response, although no firm conclusions were drawn.

Mr Berry, who quit last week *as chairman, is thought to be* insisting on a legal indemnity before he leaves the board. Mr Fromstein denied he was examining the possibility of legal action.

There was nothing ominous in the request for an indemnity, he said. "It is fairly commonplace when anyone discusses leaving a board and particularly when the environment is so visibly beset with problems".

The £25m interest-free loan has been invested in land by a company controlled by Mr de Savary in an attempt to help finance Blue Arrow's challenge for the America's Cup yachting competition.

The existence of the loan was disclosed at Blue Arrow's annual meeting last Monday although details only emerged on Friday, after Mr de Savary agreed to a partial lifting of a confidentiality agreement.

Mr Fromstein confirmed yesterday that he was seeking an independent valuation of the land. However he did not expect any serious discrepancies with Mr de Savary's statement that the assets had been independently valued at a figure that provided ample security for the facility.

Mr Fromstein, who headed Manpower before its $1.3bn takeover by Blue Arrow in 1987, said he was optimistic that Blue Arrow would be able to extricate itself from the deal.

He said further meetings were planned this week with Mr de Savary who was trying to get a partner to replace Blue Arrow. He was also hopeful that Blue Arrow would be able to reduce its commitment to the America's Cup.

# Eurobond body in new issues plea

By Norma Cohen in London

A EUROBOND market trade association is recommending new rules that will prevent securities houses from forcing their competitors to share the costs of bringing unprofitable new issues to market.

The rules mark the erosion of the freewheeling "anything goes" ethic that has governed the Eurobond market since its inception in the 1960's. Eurobond market officials say they have had to rethink the way they conduct their business by the increasingly unprofitable nature of the business brought about by overcapacity and intense competition.

The market practices committee of the International Primary Market Association, at a meeting yesterday, approved a recommendation that lead managers of new pre-priced debt deals no longer be allowed to charge syndicate members for the costs of stabilising new deals. The recommendation will be considered by IPMA's board of directors at its annual meeting on Friday.

IPMA's board is expected to appeal to borrowers asking them not to exploit the intense competition among securities houses because ultimately, it will cause the demise of a marketplace that has been beneficial to all.

Losses suffered in the first few months of this year and a few well-publicised breaches of market ethics have been deemed responsible for the change in market sentiment that has led to the IPMA committee recommendations. About six months ago, the committee found there was insufficient industry support for such a change in rules.

While IPMA rules do not have the force of law given to rules of self-regulatory organisations approved under the Financial Services Act, they are effectively market practice followed by all participants.

Stabilisation usually involves the purchase of bonds by the lead manager at the price they were sold to co-managers in order to create an orderly market for a security with no trading history. The cost of these purchases is then deducted from underwriting fees which each co-manager is entitled to receive.

The sharing of stabilisation expense was initially adopted as a sort of insurance policy to protect underwriters who launched deals only to find that forces beyond their control had moved interest or currency rates sharply before the 30-day grey market trading period had elapsed.

However, in recent years, securities houses have been offering to issue Eurobonds bearing terms they know investors will never accept, unless the price is marked down to a considerable discount.

## INTERNATIONAL COMPANIES AND FINANCE

# Hersant cashes in on Grupo 16 rift

By Tom Burns in Madrid

MR ROBERT HERSANT, the French media entrepreneur, has exploited a deep rift in Grupo 16, the Spanish publishing company, to acquire a 30 per cent stake in the organisation whose titles include the news magazine, Cambio 16, and the newspaper, Diario 16.

Mr Juan Tomas de Salas, Grupo 16's founder, majority shareholder and president, said yesterday he was prepared to buy back the stock acquired by Cepresa, Hersant's holding company in Spain. However, business sources said this could be prohibitively costly as the French company had acquired shares in the past week for up to 15 times their nominal value.

The purchases mark a long awaited incursion into the Spanish media by Hersant, publisher of France Soir and Le Figaro, which had failed in attempts to buy provincial dailies.

It follows Mr de Salas's controversial sacking last month of Diario 16's campaigning editor, Mr Pedro J. Ramirez. Government interference was alleged to have been behind the firing. Mr Ramirez left the newspaper after a reported attempt to interest Mr Rupert Murdoch's News International in its possible purchase.

A statement issued by Diario 16 said the Hersant group's takeover attempt had failed. It added fuel to the hostilities by accusing Mr Alfonso de Salas, the brother of Grupo 16's chairman, of aiding Hersant in buying minority holdings.

Mr Alfonso de Salas, who resigned as director-general of Grupo 16 following Mr Ramirez's dismissal, has sold his 5 per cent holding in Grupo 16 to Hersant. Others who have sold to Cepresa include a former vice president of Grupo 16, a former editor and a former columnist of Cambio 16 who were both founder members of the magazine, and the widow of the group's former chief executive.

The Diario 16 statement said the French company's acquisitions had been financed by a credit line issued by Banesto, the Spanish bank. It said Mr Juan Tomas de Salas had written to both Banesto's chairman, Mr Mario Conde, and to Mr Hersant, asking them to withdraw the Grupo 16 bid.

Mr de Salas wrote in the same vein to former Prime Minister, Mr Adolfo Suarez, leader of the minority liberal party, CDS, who was also named in the statement as aiding Cepresa in its takeover attempt. Mr Suarez denied any connection with the bid.

Mr Juan Tomas de Salas says that, through his own shareholding and that of syndicated stockholders, he controls almost 60 per cent of Grupo 16. Cepresa, however, after a long period of waiting in the wings, appears determined to capitalise on the divisions within Mr de Salas's empire and to establish a firm base in Spain.

# Cash-flow prince starts French family feud

By George Graham in Paris

NOT FOR the first time, a French family-controlled company is having to wash its dirty linen in public. After such celebrated family squabbles as the Hériard-Dubreuils against the Cointreaus at cognac house Rémy Martin, or the Vuittons against the Chandons at LVMH, it is now the turn of the 125-year-old shipping company, Delmas-Vieljeux.

Delmas-Vieljeux has for a year been the object of the solicitations of Mr Vincent Bolloré, whose boyish good looks and financial skills have endeared him to French headline writers as "le Petit Prince du cash-flow."

Mr Bolloré wants to group his SCAC transport company, one of the leading French forwarding agents, with Delmas-Vieljeux, France's largest private sector shipping company with 45 vessels. Mr Tristan Vieljeux, chairman of his family group, is willing to discuss co-operation and a possible shareholding link at the level of the operating company, Société Navale et Commerciale Delmas-Vieljeux, but refuses absolutely to let Mr Bolloré into the capital of the holding company, Compagnie Financière Delmas-Vieljeux.

Enter Mr Claudio Palazzolo, whose wife, Francine, is a Delmas heiress with some 2 per cent of the Compagnie Financière's capital, and who has, according to Mr Vieljeux, bought another 8.5 per cent "on behalf of a third party."

Mr and Mrs Palazzolo complain that they have "for a long time been faced with the fait accompli on all major decisions of the Delmas-Vieljeux group," and are therefore backing Mr Bolloré.

The counter-attack came yesterday morning from Mr Maurice Delmas and his sister, the Princess Ruspoli, renewing their support for the management of Delmas-Vieljeux and "dissociating themselves totally from the declarations of Francine and Claudio Palazzolo, which can in no circumstances translate the point of view of the entire Delmas family."

Mr Vieljeux drove the nail in further yesterday afternoon, noting that Mr Palazzolo used to be a managing director of the company, but "I had to get rid of him five years ago because of his unsuitability."

The chairman's position appears for the moment to be close to impregnable. The founders' families, excluding Mr and Mrs Palazzolo, control 46 per cent of the voting rights in Compagnie Financière, while various solid allies, including subsidiaries of the group, have a further 9 per cent. The only question mark appears to be Compagnie du Midi, which last year merged its shipping and transport interests with Delmas-Vieljeux in return for a 36 per cent stake, giving it 32 per cent of the voting rights.

Midi's new chairman, Mr Claude Bébéar, wants to concentrate on the group's insurance interests rather than its traditional industrial side, but he has nevertheless stated that he has no intention of selling.

In any case, the family shareholders have pre-emption rights on his stake.

Nevertheless, Paris stock market aficionados have enormous faith in the ability of Mr Bolloré to pull rabbits out of his hat. Compagnie Financière's shares were still being bid up yesterday at FFr3,931 ($621) in a thin market, with hardly any stock available.

# GIB bids $125.7m for rest of Scotty's

By William Dawkins in Brussels

GIB, Belgium's largest supermarket group, yesterday launched a $125.7m offer for full control of Scotty's, its US associate company, which owns 154 hardware and do-it-yourself stores.

GIB, formerly known as GB-Inno-BM, first bought a significant stake in Scotty's in 1979 and now holds 43 per cent of the US company's 14.7m shares.

The Brussels-based group, Belgium's largest employer, is offering to buy the remaining 57 per cent at $15 each, valuing Scotty's entire equity capital at $220.5m.

The offer was made in a letter to Scotty's board, suggesting that the proposal should be considered by a committee composed of those Scotty's directors not affiliated with GIB.

The letter also promises GIB will not sell its Scotty's shares, nor support the sale of the company to a third party.

GIB announced a rise in sales from BFr140.8bn in 1987 to BFr170bn ($4.35bn) last year.

● Bekaert, the world's leading producer of steel wire and cord, has increased its net dividend on 1988 profits by nearly 20 per cent to BFr280 (US$7.1) per ordinary share, from BFr235 the previous year.

# Beijer to acquire US instruments distributor

By Sara Webb in Stockholm

BEIJER INDUSTRIES, the Swedish industrial group controlled by Mr Anders Wall, the financier, has made an agreed bid of SKr446m ($69m), or $17.5 per share, for Brinkmann Instruments, a US agent for marketing and distributing laboratory instruments.

Beijer said the acquisition would allow its Kebo subsidiary to start selling laboratory equipment in the important North American market, where it has had a weak position in the past. Kebo already sells rehabilitation and hygiene products (such as lifting and bathing equipment for the elderly) in the US from its Chicago office.

Brinkmann Instruments made profits of about $7.8m (SKr50m) on sales of about $70m last year. It is the leading US distributor of advanced pipettes to chemistry labs, and sells instruments used in the monitoring of pollution in the environment, for example for testing water and gases.

The US company has headquarters in Westbury, New York, and sales offices in Los Angeles, San Francisco, Houston, Atlanta and Chicago, as well as Calgary, Ottawa and Point Claire in Canada. It has a sales force of about 300.

Beijer's wholly-owned Kebo subsidiary is the market leader in the Nordic region. It uses the same suppliers as Brinkmann Instruments but claims to sell a broader range of products. "The acquisition will allow us to sell more of Kebo's products in the US in future and maybe some of Beijer's other products too," said Mr Wall, president and chief executive officer of Beijer.

Beijer Industries reported operating profit of SKr190m on sales of SKr4.1bn in 1988 and expects the acquisition of Brinkmann Instruments to help boost profit to SKr250m on sales of SKr5bn this year.

The group said it was approached by Brinkmann Instruments recently and asked to act as white knight after the Prospect Group secured 26 per cent of Brinkmann's shares and made an offer of $16.5 per share.

# Unilever of UK plans to double borrowing limit

By Nikki Tait in London

UNILEVER plc, the UK half of the Anglo-Dutch consumer products multinational, is seeking shareholder approval for an increase in its borrowing powers. If the move is approved, the company's borrowing limit will go up from around £3bn ($5.1bn) to £7bn.

There is no specific restriction on the borrowing powers of Unilever NV, the corresponding Dutch half of the group. However, the aim is to keep the two halves of Unilever in balance, so the effective limit for the group overall becomes at least £14bn.

Unilever plc plans to achieve its move via two alterations in its articles of association.

At present, its borrowing limit is set at twice its adjusted capital and reserves – a fairly typical restriction amongst British quoted companies. Under the new proposals, the multiple would go up to three times. Also, for borrowing purposes the calculation of the group's net worth would be boosted by adding back goodwill written off on all past and future acquisitions.

Like most British companies, Unilever writes off any goodwill arising on acquisitions at the time that they are made. This change in treatment will apply only to the calculation of the company's borrowing powers and will not affect the published balance sheet.

Yesterday, Unilever plc said that, to date, acquired goodwill which has been written off stands at about £800m. The bulk of this results from the acquisition of Brooke Bond in 1984 and of 35 per cent of Unilever United States two years ago.

The company played down suggestions that there was anything significant about the timing of the proposal, which will be put to shareholders at the annual meeting on May 3. In a letter to shareholders, chairman Mr Michael Angus said: "The limitation has not been revised for over 40 years. The directors believe that in today's rapidly changing markets, they need to react quickly to commercial opportunities as these arise."

Unilever's proposals follow similar moves by two other large UK companies, Hanson and ICI. Both these companies plan to include acquired goodwill when the borrowing limit is calculated, but the multiple has not exceeded 2½ times.

# Alitalia blames fog and strikes for 21% decline

By John Wyles in Rome

ALITALIA, the troubled Italian state-owned airline, has blamed "acts of God and man" for a 21 per cent fall in net profits last year and the cancellation of any dividend payment to ordinary shareholders.

The company's results highlight the wretched period through which it is passing, savaged by strikes and bad weather on the operating front, and by managerial upheavals in which Italian political parties are playing a less than constructive role.

Despite a 5.5 per cent increase in turnover to L3,256bn ($2.36bn), profits fell from L66.9bn to L52.5bn. Apart from persistent fog, which closed northern Italy's main airports for days on end last winter, the company also lays the blame for this performance on congested skies in Italy and abroad, and on strikes by air traffic controllers, customs officers and refuelling personnel.

Currently its operations are being disrupted by disputes with cabin crews and pilots over the renewal of pay agreements which expired more than a year ago.

Against this bleak background, Alitalia suffered both a loss of international market share and a decline in passenger ratios.

Eighty one per cent owned by Iri, the state holding company, Alitalia's medium- and long-term debt fell from L700bn to L668bn last year.

# Baxter sells Japanese drugs stake

By Gordon Cramb

BAXTER International, the US medical equipment group, is to sell its stake in a Japanese pharmaceuticals venture set up 20 years ago by its American Hospital Supply offshoot.

The 31.5 per cent holding in the Kobe-based International Reagents, which makes blood inspection and physiochemical products, is being bought for Y12.8bn ($96.7m) by Green Cross, an Osaka drugs group.

Green Cross will thus take control of International Reagents with a 63.1 per cent stake in the company, which was launched on the second section of the Tokyo Stock Exchange in November 1986. The flotation came in the year in which Baxter took over American Hospital Supply.

Baxter said it would continue marketing diagnostic products through International Reagents. Green Cross said the move would strengthen their joint development of drugs.

It is paying Y1,695 per share, compared with the Y1,950 flotation price of 3½ years ago – since when International Reagents shares have touched Y3,000 before falling back to trade around the original level.

# Commerzbank up 19%

COMMERZBANK said yesterday that net income at its parent bank rose 19 per cent to DM345m ($184.5m) in 1988 from DM288.6m in 1987, AP-DJ reports from Frankfurt.

West Germany's third largest bank confirmed that it will keep its dividend unchanged at DM9 a share. The payout to holders of participation notes will also remain unchanged at 9.75 per cent.

Commerzbank said the rise in net income allows a DM100m addition to retained earnings, up from a DM60m addition in 1987.

INTERNATIONAL COMPANIES AND FINANCE

# TDK takeover plan for US chip maker may hit controversy

By Ian Rodger in Tokyo

TDK OF Japan, the world's largest maker of magnetic recording tapes, has made a $200m, or $20 a share, agreed bid for Silicon Systems, a California-based semiconductor maker.

The takeover offer is likely to arouse fresh anxieties in the US about Japanese advances in high technology industries, and will provide a second test of new foreign takeover review legislation introduced in the Omnibus Trade Act last year.

In February, President George Bush approved the takeover of Monsanto Electronic Materials, a maker of silicon wafers for semiconductors, by Hüls, the West German chemicals group, despite loud opposition from some in Congress and from US semiconductor makers.

Handling of the TDK/Silicon Systems case will be watched carefully by Japanese Government and industry officials, who have been disturbed by the rise of anti-Japanese sentiment in the US. They will be on the lookout for any sign of discrimination.

A Ministry of Trade and Industry (Miti) official, commenting on the Monsanto case, wondered if the deal would have been approved if the bidder had been a Japanese company. In 1987, Fujitsu, the leading Japanese electricals group, abandoned an attempt to take over Fairchild Semiconductor in the US in the face of strong local opposition. Fairchild was a large supplier of chips to the US military.

Under the new US foreign review legislation, the Committee on Foreign Investments advises the President whether to allow a takeover.

Dr Carmelo Santoro, chairman of Silicon Systems, said that the transaction would "allow our stockholders to receive a substantial premium over recent trading prices and to receive full cash value for their investment." It would also make it easier for the company to raise money for expansion.

TDK said that it was making the takeover to enter the semiconductor business. It was already a large user of chips in the production of electronic components, but it wanted to get into production of chips as well.

The group considers that the management of Silicon Systems is excellent and TDK's resources would help it implement plans to raise sales from the current $120m to a $1bn annual level. Mr Santoro would stay on and head TDK's chip production business.

TDK officials acknowledged yesterday that the proposed takeover would probably cause political controversy. It will argue that there is no national security concern because Silicon Systems has no business with the US military. Its speciality is in making mixed signal (analogue and digital) integrated circuits, 80 per cent of which are used in hard disk drives and the rest in telecommunications modems.

Also, TDK suggested that its takeover might help reduce tension between the US and Japan over semiconductors. Mr Hiroshi Sato, president of TDK, noted in a statement: "We feel that we can expand the sale of Silicon Systems products in Japan."

The US Government has been pressurising Japanese industry to buy more US chips. Two years ago, it imposed punitive 100 per cent tariffs on a range of Japanese electrical product imports, partly because of slow progress in US chip sales in Japan. In association with a 1986 bilateral semiconductor trade agreement, the US made clear its expectation that the US share of the Japanese chip market would rise from about 8 per cent to 20 per cent. It is now about 10 per cent.

TDK had net income of Y22.3bn ($168.4m) on sales of Y418.4bn in the year to last November. Silicon Systems had net income of $12.7m or $1.67 per share on revenues of $120.8m in its year to October.

# Japan's earthmovers look abroad

**Nick Garnett** on increasing production of machinery overseas

Japanese makers of construction and earthmoving machinery are slowly increasing their production capacity outside Japan. Some 21 facilities are owned, partly or wholly operated, or planned by Japanese companies outside their domestic market, mainly in the US and Europe.

These projects range from building on greenfield sites to setting up joint ventures with North American and European producers. There are also several deals in which factories owned by western producers are now virtually given over to making Japanese-designed machinery, with most of the major components imported from Japan.

The latest of these, agreed last month, involves the Koehring division of Terex Corporation which is to build hydraulic excavators for Ishikawajima-Harima Heavy Industries (IHI) at its plant in Waverly, Iowa.

At the moment, output from Japanese plants in the US and Europe is relatively small. Mr Chuck Yengst, a US analyst, estimates that Japanese products have taken 15 to 20 per cent of the North American construction machinery market, but most of these are direct imports.

These are brought in direct from Japanese producers or as part of broad, long-standing agreements between US and Japanese makers. For example, Caterpillar, the world's biggest manufacturer, has most of its excavators made by Mitsubishi Heavy Industries. Other US producers have joint deals of this type with the Japanese.

However, North American companies believe that, in the long term, production plants owned or partly controlled by Japanese companies outside Japan will become much more important.

"Right now, I think it will be difficult for the Japanese to increase their penetration of the North American market much more than they have already," says Mr Yengst. "In a few years' time, though, that just might change."

**JAPANESE CONSTRUCTION MACHINERY**
**Western European unit production, 1988**

| Type | % |
|---|---|
| Backhoe loaders | 29.8 |
| Wheeled loaders | 17.6 |
| Crawler excavators | 13.8 |
| Rough terrain forklifts | 10.7 |
| Wheeled excavators | 7.2 |
| Skid steer loaders | 4.3 |
| Mini-excavators | 3.9 |
| Others | 8.9 |
| Total units | 110,838 |

Source: Corporate Intelligence Group

The Japanese have set up facilities in the US and Europe as a result of threatened or actual impositions of dumping duties on some equipment, and the strength of the yen.

The move has also come when manufacturing plants in Japan are bursting at the seams to meet huge domestic demand. Many factories there are working 10-hour shifts, six days a week.

"Japanese production capacity is constrained," says one US company manager. "That partly explains their lower production growth than some other areas in recent years, together with the depressive impact of recession the US and Europe suffered in the early 1980s which wasn't felt so much in Japan."

Production of construction machinery rose in North America from 54,900 in the depressed market of 1983 to 89,000 last year, a rise of 62 per cent, according to a report by the Corporate Intelligence Group, a UK-based market survey company.

In Western Europe, output increased by the same percentage, from 68,600 to 110,800. In Japan over the same period, production rose by a smaller margin, 47 per cent, with output up from 95,200 to 139,900.

Deals involving the Japanese have been much fewer in Europe than in North America. Komatsu has set up a production facility in the UK to make excavators and wheeled loaders and produced 1,400 units from there last year.

Hitachi has a joint venture with Fiat to produce excavators and is scheduled to make 1,600 units each year from a new plant near Turin.

A number of production arrangements have been made for mini-excavators, a fast-growing product which up to a few years ago was rarely seen in Europe. Nissan has opened a production facility in England, Hitachi has a mini-excavator plant in the Netherlands and Kubota is building a factory in West Germany to make the same kind of equipment. And FAI of Italy signed a deal last year to make Hitachi full-size excavators under licence.

Kobe Steel has been looking for a partner to make its excavators, while TCM has talked to manufacturers, including the Brown Group of the UK, to make its wheeled loaders.

Developments in the US are much more pronounced. The biggest of these is the joint venture, announced last year, between Komatsu and Dresser involving the pooling of their American operations. This covers a range of products, four Dresser plants in the US and Canada and Komatsu's greenfield site in Chattanooga.

Some observers believe that this marks the start of Dresser's withdrawal from the industry — which the company denies.

"This deal is not working to Komatsu's benefit yet," says Mr Yengst. "Komatsu wants to get on with this but cannot, because the Dresser people do not want them to move too fast. I think if Komatsu had its way they would probably phase out all the Dresser products."

The Japanese company probably could not do this now because some existing marketing deals involve the continued supply of Dresser models, and the necessary factory retooling would probably be too much to cope with in one go.

Komatsu-Dresser possibly ranks now as the second largest construction machinery operation within the US, above Case and Deere.

There are many other deals in the US. Sumitomo has begun building excavators in the Kentucky facility of US company FMC Link Belt. Kobe Steel has its own facility assembling excavators in Georgia, and a deal for hydraulic cranes to be made in South Carolina by Century 2, the company bought out by the management from Pauling and Harnischfeger.

Kawasaki has opened a plant in Georgia to make wheeled loaders, and Deere has just extended its links with Hitachi to form a joint venture project building excavators in South Carolina.

Toyota, Nissan and Komatsu all have production facilities in the US making forklifts; and Furukawa and Kubota are among Japanese companies examining the possibility of setting up plants in the US.

# Saudi Cairo Bank trebles loss as it clears bad loans

By Gordon Cramb

SAUDI CAIRO Bank, the Jeddah-based commercial bank which is being overhauled after running up a disastrous SR400m ($106.7m) deficit on precious metals trading, more than trebled net losses last year as it acted to clear its books of loans the new management regards as irretrievable.

After increasing the charge for bad debts to SR70.5m from SR14.5m, the 1988 loss reached SR110.5m compared with SR33.2m.

Non-performing loans are now estimated at as much as SR3bn – total loans and advances are just under SR4bn.

Mr Wahib Binzagr, the businessman who took over as chairman last July, said in London yesterday that SR2bn could be collected "promptly and without any problem," but that shareholders should supply the remainder.

Shareholders' funds stood at SR606.3m at the year-end after a previous doubling of capital. Saudi Cairo is half-owned by the Saudi Government, with 20 per cent held by Banque du Caire of Egypt and the rest in private Saudi hands.

It has a balance sheet total of SR10bn.

The bank is also sponsoring a SR400m investment fund, placing an initial 30 per cent in the Saudi private sector. Public subscriptions will later be sought for the venture, called Saudi Industrial Development Company.

# Chinese Estates rights issue undersubscribed

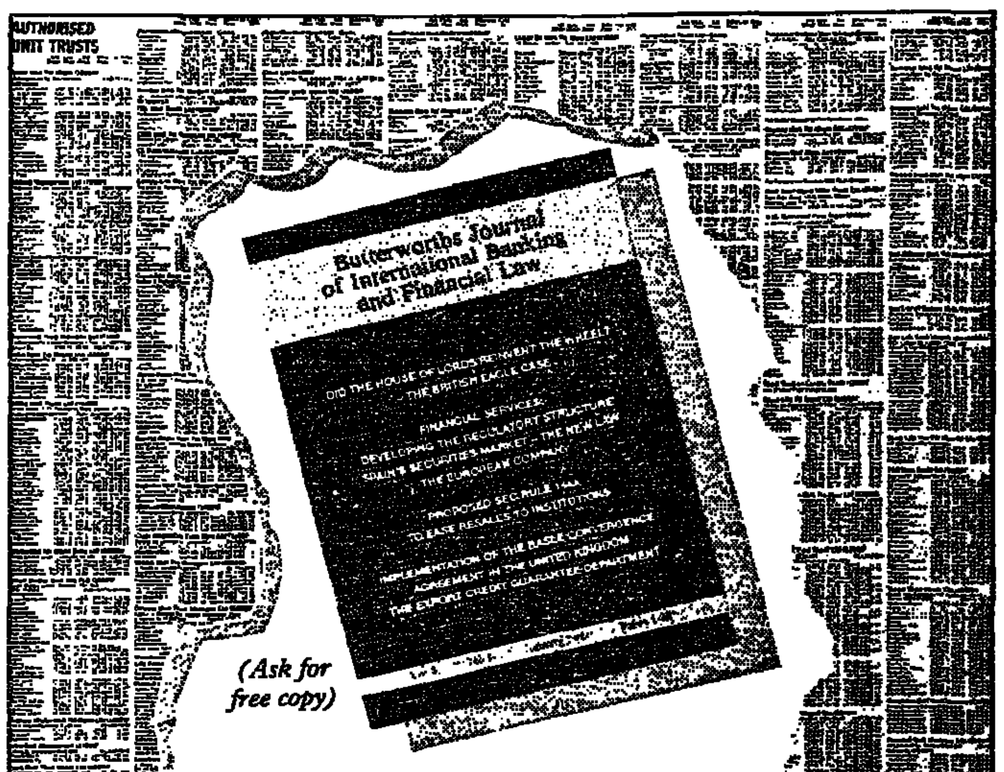
By Michael Marray in Hong Kong

A RIGHTS issue from property investment company Chinese Estates, a unit of Hong Kong's Evergo group of companies controlled by the Lau brothers, has been received unenthusiastically – only 38 per cent of the HK$657m (US$84.2m) worth of shares have been taken up.

When the HK$3.10 a share rights issue and a HK$520m placement of new and existing shares was announced on March 7, Chinese Estates' shares were trading as high as HK$3.325.

In the intervening period the local stock market fell, and when the deadline for applications expired last week the shares were trading at around HK$2.90, leaving the underwriters to take up the bulk of the issue.

The issue was undertaken to reduce Evergo Holding's stake in Chinese Estates, to comply with Stock Exchange regulations stipulating that 25 per cent of a listed company must be in public hands.



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BUTTERWORTHS

THE FINANCIAL PROFESSIONAL'S PUBLISHER

## INTERNATIONAL COMPANIES AND FINANCE

# Intel unveils powerful '486' chip

**By Louise Kehoe in San Francisco**

INTEL, the US microchip producer, yesterday announced a long-awaited expansion of its microprocessor product line with the introduction of powerful new chips that are expected to have a major impact upon the computer industry, dramatically increasing the performance of desk-top computers and creating a new class of multi-microprocessor systems that replace today's minicomputers.

The new Intel 486 chip is two to four times more powerful than Intel's current 386 microprocessors and provides mainframe computer-like performance of 15m instructions per second.

An important feature of the 486 is that it is totally compatible with earlier 386 microprocessors that are widely used in personal computer products by IBM, Compaq and several other manufacturers.

With the 486, Intel aims to extend its dominant position in the personal computer chip market to counter rising competition from Risc (reduced instruction set computer) chips such as the Sun Microsystems Sparc chip, Motorola's 88000 Risc chip, the Mips Computer Systems chips and others in the computer workstation market.

The company also sees broad opportunities in the minicomputer market where multiple 486 microprocessors could be used together to build very powerful systems.

"The 486 microprocessor gives our customers the power to compete directly with Risc-based systems while protecting their customer's investments in more than $15bn worth of software," said Mr Claude Leglise, marketing manager for Intel's microprocessor division.

Computer workstations, file servers and minicomputers built around the new 486 should be available in high volume next year, he added.

Intel said that the 486 will be available in the third quarter of the year in sample quantities. It will be priced at $950 per chip, almost three times the price of the 386 microprocessor, leading analysts to predict that 486-based computers will cost around $15,000-$20,000.

More than two dozen leading computer and software companies endorsed the 486 at its introduction yesterday. Among them, Compaq Computer, Hewlett-Packard, Apricot Computer, AST Research, Dell Computer, NCR, Olivetti, Philips, Sequent Computer Systems, Sun Microsystems, Unisys and Wang Laboratories all said they would use the 486 chip in future computer products. IBM added its endorsement but made no specific commitments to the chip.

In related announcements, Intel said yesterday it had boosted the performance of its 386 microprocessor to about 8m instructions per second. Twelve computer companies including Olivetti and Philips also introduced personal computers taking advantage of the new higher-speed 386.

Intel also announced a low-power version of the 386 specifically designed for use in battery-operated portable computers.

# Surge in broadcasting earnings lifts CBS

**By Anatole Kaletsky in New York**

CBS, the big US media group, reported a gain of almost 200 per cent in its earnings from broadcasting in the first quarter, and a 27 per cent advance in net profits for the group as a whole.

CBS made net profits of $56.1m or $2.18 a share in the first quarter, compared with $44.2m or $1.74 from continuing operations a year ago.

CBS said that its broadcast group's sales increased by 5 per cent to $730.9m, while operating profits from this division jumped by 194 per cent to $46.5m.

The CBS Television Network, the second largest in the US, reported a profit in the latest period, compared with a loss the year before. CBS said it was benefiting from improved demand from advertisers and ratings gains in evening entertainment, sports and news.

Net corporate interest income was $39.4m in the latest quarter, compared with $31.5m the year before. The year-earlier figure included a pre-tax gain of $14m on sales of Treasury securities.

● Dow Jones, the leading US business publishing and financial information company, reported a small decline in underlying earnings, despite a big gain in first-quarter net.

Dow Jones made net profits of $200m or $1.99 a share in the first quarter, compared with $104m or $1.08 last year. But both results included big one-time items. The latest profit included a net gain of $164m from the sale of the company's stake in Continental Cablevision.

Excluding these special items, Dow Jones said it earned $36m or 36 cents a share in the last quarter, compared with $38m or 41 cents the year before. Revenues grew by 4 per cent to $407m.

Pre-tax operating income fell by 13.5 per cent to $91m, primarily because of "continuing weakness in the financial advertising at the Wall Street Journal, the company's flagship publication."

Advertising lineage was down by 11.5 per cent in the Journal and 23.8 per cent in Barron's, the group's financial weekly. Total revenues from business publications were down by 4.8 per cent to $183m.

Operating earnings of the information services segment rose 0.6 per cent to $55m.

# Bronfman cuts stake in Cineplex

**By David Owen**

A GROUP that includes Mr Charles Bronfman and Claridge Investments, the Bronfman-controlled holding company, is to reduce its stake in Cineplex Odeon, the Canadian film exhibitor.

The stake will be purchased by Mr Garth Drabinsky, chairman of Cineplex, Mr Myron Gottlieb, vice chairman, and others. Under the terms of the deal, 7.26m common shares will change hands for C$17.50 a unit, or C$127m (US$107m).

The transaction will reduce the Bronfman group's holding in Toronto-based Cineplex from about 24.6 per cent to 9.3 per cent (or 18.5 per cent of common shares). The Drabinsky group's interest will correspondingly increase to 15.2 per cent (37.8 per cent of common shares) from 3.8 per cent.

Cineplex's largest shareholder, with 49.6 per cent of outstanding equity, is MCA of the US. MCA's stake – acquired in 1986 – is in the form of subordinate restricted voting shares. This block gives it a one-third voting interest in Cineplex less one vote.

Bronfman interests have been associated with Cineplex since the late 1970s, twice raising their stake in the group when it was facing difficulties.

Cineplex, which reported net income for 1988 of US$40.4m, has recently been selling assets to reduce its debt load. It has sold both a 49 per cent interest in a laboratory and film production centre and 50 per cent of Universal Studios Florida to the UK's Bank Organisation.

# Digital revamps micro range

**By Louise Kehoe**

DIGITAL EQUIPMENT, the world's second largest computer manufacturer, has revamped the microcomputer segment of its widely used range of office computers with new high-performance models, a new entry-level model and price cuts on some existing products.

The new machines include MicroVAX Models 3800 and 3900 that deliver up to one and a half times the performance of existing top of the range MicroVAX computers, extending the product line into the "mid-range" minicomputer performance sector. Prices start at $81,000.

The new systems will support up to 78 active users performing continuous, intensive office work the company said.

"The new MicroVAX 3800 and 3900 systems combine the most powerful performance of any MicroVAX system with increased mass storage capacity, greatly expanding the range of solutions the MicroVAX family can provide," said Mr Domenic LaCava, vice president for Low End Systems.

The new products are aimed at boosting sales in market segments where Digital is facing increasing competition from manufacturers of microprocessor based multi-user systems and workstations. Orders for MicroVAX products have been declining in recent months, according to industry analysts.

Digital introduced new VAX servers for users of networked systems. It also launched a system for the real-time transaction processing market including applications such as process monitoring, computer integrated manufacturing and data acquisition.

An entry-level MicroVAX for one to five users was unveiled at a US price of $25,000. Digital lowered the price of some existing MicroVAX models by around 15 per cent.

## NORTH AMERICAN NEWS IN BRIEF

FORD MOTOR of the US said yesterday it had promoted Mr Allan D. Gilmour to executive vice president, corporate staffs, and designated him a member of the Office of the Chief Executive, writes our Financial Staff.

Mr Gilmour had been executive vice president, international automotive operations. Mr Louis R. Ross will succeed Mr Gilmour, while Mr Alexander J. Trotman replaces Mr Ross as executive vice president, North American automotive operations.

● Goodyear Tire & Rubber said it expects earnings for the first quarter to approach the year-ago period's $95.3m or $1.67 a share, on sales of $2.65bn, Mr Tom H. Barrett, chairman and chief executive told the annual meeting.

"After a detour in the last half of 1988, it now looks like the North American tyre division is getting back on track with the rest of our tyre operations, and the general products group is continuing at the same record clip it did in 1988," Mr Barrett said.

● Abbott Laboratories, the Illinois-based pharmaceutical group, boosted first-quarter net profits from $172.1m or 76 cents a share to $198m or 88 cents, spurred by new products.

Sales rose from $1.19bn to $1.3bn. Mr Robert Schoellhorn, chairman cited "a continuous stream of new products that improve the quality of health care, while reducing the cost." Alimentum, an infant formula, was mentioned as one of these products.

Abbott said sales of pharmaceutical and nutritional products rose to $680m this quarter from $637m the year-ago quarter.

Hospital and laboratory product sales totalled $616m in the first quarter, up from $551m a year ago.

Sales in domestic markets increased to $843m from $778m in the 1988 first quarter.

International sales, including direct exports from the US, were $453m, a 10.5 per cent increase from $410m a year ago, it said.

● Formica, the US laminated products concern, said a special committee of its board has received but did not approve a revised $18.75 a share cash offer from FM Acquisition to acquire all its outstanding shares.

NOTICE OF INTENTION TO REDEEM

To the Holders of

BENEFICIAL OVERSEAS FINANCE N.V.

14¾% Notes Due May 15, 1992

NOTICE IS HEREBY GIVEN to the holders of the outstanding Notes described above (the "Notes") that, pursuant to the provisions of the Fiscal and Paying Agency Agreement Dated as of May 15, 1982 and the Notes, Beneficial Overseas Finance N.V. has elected to and will redeem on May 15, 1989 all of its outstanding Notes, at a redemption price equal to 101.5% of the principal amount thereof plus accrued interest to the redemption date.

Payments will be made on and after May 15, 1989 against presentation and surrender of Notes with coupons due May 15, 1990 and subsequent attached in lawful money of the United States of America, subject to applicable laws and regulations, either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, as Fiscal and Paying Agent, in the Borough of Manhattan, The City of New York, or (b) at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt (Main), London, or Paris or at the main office of Swiss Bank Corporation in Basel. All payments shall be made in United States dollars by check drawn on, or transfer to an account maintained by the payee with, a bank in New York City, subject to any laws or regulations applicable thereto.

Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9, certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to a penalty of $50. Please therefore provide the appropriate certification when presenting your securities for payment.

The coupon due May 15, 1989 is to be detached and collected in the usual manner.

On and after May 15, 1989 the Notes will no longer be outstanding and interest thereon shall cease to accrue.

BENEFICIAL OVERSEAS FINANCE N.V.

By: Morgan Guaranty Trust Company

OF NEW YORK, *Fiscal and Paying Agent*

Dated: April 11, 1989

FINA

PETROFINA

société anonyme
52 rue de l'Industrie - B-1040 Brussels
VAT No 403 079.441
R.C. Brussels No 227.957

Capital Increase
Result of the auction of the temporary vouchers

The 901,365 rights to subscribe not used by shareholders were auctioned at the Brussels and Antwerp Stock Exchanges on March 23, 1989 for an amount of BEF 55,343,805.

Costs, expenses and duties of all nature incurred by the Company represent BEF 9,374,190.

The net amount due to shareholders who have not used their rights to subscribe between February 21, 1989 and March 14, 1989 therefore is BEF 45,969,615, i.e. **BEF 51** per **Coupon No 3.**

Coupon No 3 will be payable as from April 12, 1989 at the following institutions:

Banque Bruxelles Lambert  Banque Paribas Belgique  Kredietbank  Générale de Banque
Banque Nationale de Paris  Crédit du Nord
Banque Internationale à Luxembourg  Banque Générale du Luxembourg
*Algemene Bank Nederland  Amsterdam-Rotterdam Bank*
Commerzbank  Deutsche Bank  Dresdner Bank
Crédit Suisse  Swiss Bank Corporation  Union Bank of Switzerland
Credito Italiano  Banque Belge Limited
as well as at the Company's registered office.

Correction Notice
Household Bank f.s.b.
U.S. $100,000,000
Collateralized Floating Rate Notes due June 1996

For the three months 28th March, 1989 to 26th June, 1989 the Notes will carry an interest rate of 10.65% per annum with an interest amount of U.S. $1331.25 per U.S. $50,000 principal amount. The relevant interest payment date will be 26th June, 1989.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London Agent Bank

ASDA GROUP PLC
(Registered in England No. 1396513)

NOTICE
to the holders of the outstanding
£120,000,000
4¾ per cent. Convertible Bonds Due 2002
of Asda Group PLC (the "Company")

NOTICE IS HEREBY GIVEN to the holders of the above Bonds that, at the adjourned Meeting of such holders convened by the Notice published in the Financial Times on Friday, 17th March, 1989 and held on Thursday, 30th March, 1989, the *Extraordinary Resolution set out in such* Notice was duly passed.

Dated 11th April, 1989    This Notice is given by Asda Group PLC

LEUMI INTERNATIONAL INVESTMENTS N.V.
US $20 MILLION GUARANTEED FLOATING RATE NOTES 1990 SERIES 'B'

The interest rate applicable to the above Notes in respect of the three month period commencing 11th April 1989 has been fixed at 10⁹⁄₁₆% per annum.
The interest amounting to US $26.70 per US $1,000 principal amount of the Notes will be paid on Tuesday 11th July 1989 against presentation of coupon No.35.
BANK LEUMI TRUST COMPANY OF NEW YORK
Principal Paying Agent

bank leumi בנק לאומי

LEGAL NOTICES

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

Notice is hereby given that the ANNUAL GENERAL MEETING of the Society will be held in the SOCIETY'S HEAD OFFICE No. 28 ST. ANDREW SQUARE, EDINBURGH on Thursday, 20th April 1989 at 12.30 p.m. to consider the Accounts and Balance Sheet *and Reports of the Directors and the Auditor,* to elect Directors, to determine the remuneration to be paid to the Directors and the *re-appointment of the Auditor.*

A member of the Society entitled to attend and vote at any Annual General Meeting is entitled to appoint another person to attend and vote instead of him. Proxies must be lodged at the Society's Head Office not less than forty-eight hours before the time for holding the Meeting.

By Order of the Board
28 St. Andrew Square    D.A. BERRIDGE
EDINBURGH    Chief Executive

UNILEVER N.V.
Rotterdam The Netherlands
ANNUAL GENERAL MEETING OF SHAREHOLDERS

On Wednesday, 3rd May, 1989 at 10.30a.m. in the "Kleine Zaal" of the "Concert-en Congresgebouw de Doelen", entrance Kruisplein 30, Rotterdam

AGENDA

1. Consideration of the Annual Report for the 1988 financial year submitted by the Board of Directors.
2. Approval and adoption of the Annual Accounts and appropriation of the profit for the 1988 financial year.
3. Appointment of the members of the Board of Directors.
4. Appointment of Auditors.
5. Authorisation, in accordance with *Article 98 of Book 2 of the Netherlands Civil* Code, of the Board of Directors to purchase shares in the Company and trust certificates therefor.
6. Questions

This agenda, the Report and Accounts for 1988, and the information to be provided in accordance with Article 392, para. 1, of Book 2 of the Netherlands Civil Code and the further documentation pertaining to the Agenda are available for inspection by shareholders and holders of certificates issued by N.V. Nederlandsch Administratie- en Trustkantoor at the Company's office, Burg. s'Jacobplein 1, Rotterdam, and at the office of the Bank mentioned below, where copies may be obtained free of charge.

(A) Holders of bearer shares wishing to attend the meeting either in person or by proxy appointed in writing must deposit their share certificates by Wednesday, 26th April, 1989 at the Company's office or at the office of the Midland Bank plc, Mariner House, Pepys Street, London EC3N 4DA or any of its branches. Upon production of the receipt then issued to them such holders will be admitted to the meeting.

(B) Holders of registered shares for which certificates have been issued in another form and holders of booked shares wishing to attend the meeting either in person or by proxy appointed in writing must notify the Company of their intention by letter, stating the numbers of the share certificates or of the bookings for the shares, which must reach Unilever N.V., Afdeling Effecten en Coupons, Burgemeester s'Jacobplein 1, Rotterdam, The Netherlands, by Wednesday, 26th April, 1989.

(C) Holders of certificates for shares in Unilever N.V. issued by N.V. Nederlandsch Administratie- en *Trustkantoor of Amsterdam, "Nedamtrust certificates"*, wishing to attend the meeting without taking part in the voting must deposit such certificates by Wednesday 26th April, 1989 at any of the offices mentioned in (A) above. Upon production of the receipt then issued to them, such Nedamtrust certificate holders will be admitted to the meeting.

(D) If holders of the certificates mentioned in (C) above wish to exercise voting rights *at the meeting either in person or by proxy appointed in writing, N.V. Nederlandsch* Administratie- en Trustkantoor will exchange such certificates free of charge for original shares, which it will hold in the names of such holders at its own office (such office being the designated place of deposit in the event) and exchange the same again after the meeting free of charge for Nedamtrust certificates to be issued to such holders in accordance with the conditions of administration of these certificates. For such purposes holders must by Tuesday 25th April, 1989 surrender their certificates for Fl.4 or a multiple thereof (but, in the case of certificates for 7% cumulative preference shares, representing a total nominal amount of Fl.1,000 or a multiple thereof) to N.V. Nederlandsch Administratie- en Trustkantoor, N.Z. Voorburgwal 326-328, Amsterdam.

The certificates so surrendered must be accompanied by a form obtainable free of charge from N.V. Nederlandsch Administratie- en Trustkantoor, Amsterdam. Upon production of the receipts then issued holders will be admitted to the meeting.

Rotterdam, 11th April, 1989    THE BOARD OF DIRECTORS

U.S. $200,000,000
Hydro-Québec
Floating Rate Notes, Series FV,
Due May 2005

| | |
|---|---|
| Interest Period | 7th November 1988<br>8th May 1989 |
| Interest Amount per U.S.$10,000 Note due 8th May 1989 | U.S.$489.88 |

Credit Suisse First Boston Limited
Agent Bank

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) in NISSIN FOOD PRODUCTS CO., LTD.

NOTICE IS HEREBY GIVEN that the Company hereby terminates the Deposit Agreement dated 15th December, 1982 between Nissin Food Products Co., Ltd. (the "Company") and Citibank, N.A. Pursuant to Clause 28 of the Deposit Agreement. Final termination date will be June 8, 1989.

CITIBANK, N.A., London
Depositary

April 11, 1989.

Halifax Building Society
Floating Rate Loan Notes 1992

For the three month period from 10 April, 1989 to 10 July, 1989 the Notes will bear interest at the rate of 13⅞ per cent. per annum. The Coupon amount per £5,000 Note will be £166.73, payable on 10 July, 1989.

Morgan Grenfell & Co. Limited
*Agent Bank*

I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699  An AFBD member  Reuters Code: IGIN, IGIO

| FT 30 | FTSE 100 | WALL STREET |
|---|---|---|
| Apr. 1670/1679 -23 | Apr. 2026/2036 -32 | Apr. 2304/2316 N/C |
| Jun. 1654/1703 -26 | Jun. 2056/2066 -35 | Jun. 2320/2332 N/C |

Prices taken at 5pm and change is from previous close at 9pm

CAD 50,000,000
American Hospital Supply Intl fin
N.V. 12.375% Retractable Notes due 30/4/89

Notice of adjustment to Interest Rate notice is hereby given that for the interest period 30/4/89 to 30/4/94 the Notes will carry and interest Rate of 10%. Note holders should also be advised that they can exercise their option to redeem the Notes on April 30 1989 as described in Paragraph 6(d) of the fiscal agency agreement.

Notice By: Toronto Dominion London

CROSBY SECURITIES INC.

With effect from April 10th
Crosby Securities Inc. will have
moved their New York Office to:

35th Floor
515 Madison Avenue
New York, New York 10022

Tel: 212-593-5959
Fax: 212-593-0149/0151
Telex: 211285 CSI NYC
Modem: 212-593-0152

NASD Member

U.S. $100,000,000

Takugin International (Asia) Limited
*(Incorporated in Hong Kong)*
Guaranteed Floating Rate Notes due 1997
Guaranteed as to payment of principal and interest by
The Hokkaido Takushoku Bank, Limited
*(Incorporated in Japan)*

In accordance with the provisions of the Notes, notice is hereby given, that for the six month Interest Period from April 11, 1989 to October 11, 1989 the Notes will carry an Interest Rate of 10⅞% per annum. The interest amount payable on the relevant interest payment date, October 11, 1989 will be U.S. $546.46 for each Note of U.S. $10,000 denomination and U.S. $13,661.46 for each Note of U.S. $250,000 denomination.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

CHASE

April 11, 1989

ROYAL TRUSTCO LIMITED
Yen 12,000,000,000 Reverse Dual – Currency Debentures Due 1992

Notice is hereby given that the Rate of Interest has been fixed at 13.23555% and that the interest payable on the relevant Interest *Payment Date July 7, 1989 against Coupon No. 6 in respect of* Yen 10,000,000 nominal of the Notes will be NZ$1,462.55.

*April 11, 1989, London*
By: Citibank, N.A. (CSSI Dept.), Agent Bank    CITIBANK

# Bank of Montreal chief plans change of tack

**Andrew Marshall on the challenges facing youthful Matthew Barrett as he prepares to take the helm of Canada's third largest bank**

When Mr Matthew Barrett takes over as chairman of Bank of Montreal (BMO) in July, he will have plenty to think about.

The bank's third-world debt portfolio is nagging away like an aching tooth. Poor earnings at Nesbitt Thomson, the investment dealer which BMO bought control of for C$290.9m (US$243.7) in 1987, should give him pause for thought. He must also confront the bank's lagging performance in its own backyard, the market for domestic deposits.

In relative terms, the bank is falling behind. Eighteen months ago, it was Canada's second largest bank. But with assets of C$76.01bn at the end of January, it had slipped to third place among the six major banks, with Bank of Nova Scotia, with assets of C$75.82bn snapping at its heels.

The youthful Mr Barrett, 44, will replace William Mulholland, 62, who has dominated the bank as chairman since 1981, president since 1974, and a director since 1964. Mr Mulholland had a reputation as a tough, abrasive man, with a very hands-on style, and the bank has gained an unenviable reputation for losing senior staff with some frequency.

Mr Barrett, by contrast, is easy-going, informal and considered more of a team player. After joining the bank in London in 1962, he climbed through the ranks, working in the international, treasury and retail divisions, as well as doing spells in British Columbia and Ontario.

His most immediate challenge will be to build a management team from the depleted senior ranks. Mr Grant Reuber, BMO's deputy chairman, retires next January, and Mr Stanley Davison, vice chairman, leaves in early 1991. Mr Barrett's present post of president will also be vacant.

Last year's results showed an encouraging recovery, with profits of C$553.4m or C$4.89 a share, compared with 1987's C$215.2m losses, caused largely by a provision of C$765m for losses on third-world debt. But BMO's net income of 70 cents per $100 of assets was still far behind the C$1.15 earned by industry leader, Toronto Dominion Bank.

Moreover, first-quarter earnings, announced at the end of February, fell to C$150.2m from C$158.1m a year earlier, reflecting the impact of a C$50m provision for bad loans. The other major banks reported year-on-year profit increases of between 20 and 120 per cent.

Arguably the most pressing concern for Mr Barrett is BMO's third-world debt portfolio, which, at just less than C$5bn or 87 per cent of the bank's common equity, gives it the highest exposure among Canadian banks. By contrast, Toronto Dominion, Canada's fifth largest and best performing bank, has an exposure of 9 per cent. The average figure for all six major Canadian banks is just over 50 per cent.

In an interview last year, Mr Barrett stressed that BMO's approach will continue to be different from that of TD, which regards its third world loans as a discontinued business. BMO has been active in the swaps market, but "not at the expense of forgoing the upside potential," Mr Barrett says. "On a long range basis, we continue to believe Mexico and Brazil have very good prospects."

However, the bank has been consolidating its portfolio and concentrating the risk into a few key countries. Mr Barrett told shareholders earlier this year that reducing the bank's exposure would continue to be a priority. But he does not see sales in the secondary market as the ideal vehicle. He regards the secondary market, justifiably, as an imperfect guide to the value of the debt. "We aren't interested in a fire sale," he says.

Another big question mark hangs over BMO's own backyard: the Canadian retail market. The bank has done poorly in attracting C$ personal deposits. They have grown by just 26 per cent in the last five years, compared to 43 per cent for the Royal Bank of Canada and 52 per cent for Toronto Dominion. Turning this performance around is one of Mr Barrett's highest priorities.

Despite these woes, BMO does enjoy undeniable pluses, led by its potential to exploit new opportunities in Canada's own deregulated markets and in the US.

With the acquisition of Chicago-based Harris Bankcorp, for instance, BMO has a solid base for US expansion. Mr Barrett feels the bank is in position to exploit the expansion of US-Canadian trade under the Free Trade Agreement, and any future US deregulation – such as expansion of interstate banking or the abolition of the Glass Steagall Act.

"We're a North American bank nicely positioned on the North-South pipeline," he says. BMO already claims to be the only bank which is a primary dealership in government securities in both Canada and the US.

Interstate bank deregulation holds particular promise. Through its holdings in the Harris Bankcorp group, plus its own operations, BMO already has potential access to 14 states, and can gain access to 20 more when legislation permits.

Mr Barrett says the immediate outcome of the free trade agreement – with its provision for "national treatment" of financial services – is that "technically, the Americans can do things in Canada that we can't do in the US." But given the size of the US market, and the possibility for expansion, "I have a tough time feeling hard done by."

BMO's purchase of a controlling stake in Nesbitt Thomson, though overshadowed by the equity market collapse, appears to be a sound strategic move. The investment dealer's lower first-quarter income contributed to an 8.6 per cent decline in BMO's non-interest income. It has contributed little to the bank's performance, with $11.5m in goodwill to amortise.

Mr. Barrett believes developing the relationship with Nesbitt will take time: "Our objective in the first two years is to to build confidence and mutual respect between the organisations and to get good bilateral relationships. We haven't jumped in with both feet."

Mr Barrett is also very conscious of the need for good banking relationships at the retail level: "Somehow or another, we've left the customer behind." His attitude seems to be "Back to basics" – good service and better customer relations.

He is most concerned with structural changes in retail banking, resulting from deregulation and from technological and financial innovation. A major challenge is the shift from interest-based business to reliance on fee income.

This implies, he believes, a change in tack. "It means, I think, that the large banks, with their large cost bases, have to get ahead of the game – shedding assets, selling low yield stuff, and de-layering the management . . . you will see major restructuring, challenging the structures and the traditional lifestyles of banks."

If this seems to promise radical change at the bank, Mr Barrett's timescales are long and his attitudes essentially pragmatic. Caution is likely to be his hallmark: "My interest is in those products that would substitute for existing bank products," he says. Elsewhere, he sees no need to take risks with the bank's corporate governance or its management.

Mr Barrett stresses his hands-off approach and his preference for teamwork. Some analysts wonder, however, if this will be enough. It may take some bold leadership to make a break with the past.

He certainly does not underrate the problems he faces. "Twenty years ago, if someone had asked me to recommend a career that guaranteed working in a stable, predictable working environment, I might have suggested banking," he said in a speech last year. "Today, I would probably recommend landscape architecture or the teaching of classical history."

# FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, April 10, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

| COUNTRY | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|
| Afghanistan (Afghani) | 99.25 | 58.4683 | 31.1128 | 44.1111 |
| Albania (Lek) | 10.0497 | 5.9202 | 3.1503 | 4.4665 |
| Algeria (Dinar) | 11.6641 | 6.8713 | 3.6564 | 5.1840 |
| Andorra (Fr Fr) | 10.7700 | 6.3446 | 3.3761 | 4.7866 |
| (Sp Peseta) | 197.85 | 116.5537 | 62.0219 | 87.9333 |
| Angola (Kwanza) | 50.9585 | 30.0197 | 15.9744 | 22.6482 |
| Antigua (E Carr $) | 4.5765 | 2.6960 | 1.4346 | 2.0340 |
| Argentina (Austral) | 83.2550 | 49.0456 | 26.0987 | 37.0022 |
| Aruba (Florin) | 3.0341 | 1.7873 | 0.9511 | 1.3484 |
| Australia (Aus $) | 2.1028 | 1.2387 | 0.6591 | 0.9345 |
| Austria (Schilling) | 22.445 | 13.2223 | 7.0360 | 9.9755 |
| Azores (Port Escudo) | 263.50 | 155.2282 | 82.6018 | 117.1111 |
| Bahamas (Bahama $) | 1.6975 | 1 | 0.5321 | 0.7544 |
| Bahrain (Dinar) | 0.63915 | 0.3764 | 0.2003 | 0.2840 |
| Balearic Is (Sp Peseta) | 197.85 | 116.5537 | 62.0219 | 87.9333 |
| Bangladesh (Taka) | 54.00 | 31.8114 | 16.9278 | 24 |
| Barbados (Barb $) | 3.4092 | 2.0083 | 1.0687 | 1.5152 |
| Belgium (Belg Fr) | 66.80c | 39.3519 | 20.9404 | 29.6888 |
| | 67.05g | 39.4992 | 21.0188 | 29.8000 |
| Belize (B $) | 3.3900 | 1.9970 | 1.0626 | 1.5066 |
| Benin (CFA Fr) | 538.50 | 317.2312 | 168.8087 | 239.3333 |
| Bermuda (Bermudian $) | 1.6975 | 1 | 0.5321 | 0.7544 |
| Bhutan (Ngultrum) | 27.00 | 15.9057 | 8.4639 | 12 |
| Bolivia (Boliviano) | 4.3053 | 2.5362 | 1.3496 | 1.9134 |
| Botswana (Pula) | 3.47 | 2.0441 | 1.0877 | 1.5422 |
| Brazil (Cruzado) | 1.6925 | 0.9970 | 0.5305 | 0.7522 |
| British Virgin Is (US $) | 1.6975 | 1 | 0.5321 | 0.7544 |
| Brunei (Brunei $) | 3.3213 | 1.9565 | 1.0411 | 1.4761 |
| Bulgaria (Lev) | 1.4956 | 0.8810 | 0.4688 | 0.6647 |
| Burkina Faso (CFA Fr) | 538.50 | 317.2312 | 168.8087 | 239.3333 |
| Burma (Kyat) | 11.4112 | 6.7223 | 3.5771 | 5.0716 |
| Burundi (Burundi Fr) | 262.3050 | 154.5243 | 82.2272 | 116.5800 |
| Cameroon (CFA Fr) | 538.50 | 317.2312 | 168.8087 | 239.3333 |
| Canada (Canadian $) | 2.0210 | 1.1905 | 0.6335 | 0.8982 |
| Canary Is (Sp Peseta) | 197.85 | 116.5537 | 62.0219 | 87.9333 |
| Cp. Verde Is (CV Escudo) | 129.5404 | 76.3124 | 40.6082 | 57.5735 |
| Cayman Is (CI $) | 1.4069 | 0.8288 | 0.4410 | 0.6252 |
| Cent.Afr. Rep (CFA Fr) | 538.50 | 317.2312 | 168.8087 | 239.3333 |
| Chad (CFA Fr) | 538.50 | 317.2312 | 168.8087 | 239.3333 |
| Chile (Chilean Peso) | 429.33 | 252.9189 | 134.5862 | 190.8133 |
| China (Renminbi Yuan) | 6.3535 | 3.7428 | 1.9916 | 2.8237 |
| Colombia (Col Peso) | 613.13 | 361.1958 | 192.2037 | 272.5022 |
| Comoro Is (CFA Fr) | 538.50 | 317.2312 | 168.8087 | 239.3333 |
| Congo (Brazz) (CFA Fr) | 538.50 | 317.2312 | 168.8087 | 239.3333 |
| Costa Rica (Colon) | 134.1593 | 79.0334 | 42.0562 | 59.6263 |
| Cuba (Cuban Peso) | 1.2909 | 0.7604 | 0.4046 | 0.5737 |
| Cyprus (Cyprus £) | 0.8260 | 0.4865 | 0.2589 | 0.3671 |
| Czechoslovakia (Koruna) | 25.45c | 14.9926 | 7.9780 | 11.3111 |
| | 16.49l | 9.7142 | 5.1692 | 7.3288 |
| | 16.49t | 9.7142 | 5.1692 | 7.3288 |
| Denmark (Danish Kroner) | 12.4075 | 7.3092 | 3.8894 | 5.5144 |
| Djibouti Rep (Djib Fr) | 295.00 | 173.7849 | 92.4764 | 131.1111 |
| Dominica (E Carrib $) | 4.5765 | 2.6960 | 1.4346 | 2.0340 |
| Dominican Rep (D Peso) | 10.7633 | 6.3406 | 3.3740 | 4.7836 |
| Ecuador (Sucre) | 754.84o | 444.6774 | 236.6269 | 335.4844 |
| | 880.41a | 518.6509 | 275.9905 | 391.2933 |
| Egypt (Egyptian £) | 4.169 | 2.4559 | 1.3068 | 1.8528 |
| El Salvador (Colon) | 8.491 | 5.0020 | 2.6617 | 3.7737 |
| Equat'l Guinea (CFA Fr) | 538.50 | 317.2312 | 168.8087 | 239.3333 |
| Ethiopia (Ethiopian Birr) | 3.4837 | [illegible] | [illegible] | [illegible] |
| Falkland Is (Falk £) | 1.00 | 0.5891 | 0.3134 | 0.4444 |
| Faroe Is (Danish Kroner) | 12.4075 | 7.3092 | 3.8894 | 5.5144 |
| Fiji Is (Fiji $) | 2.4623 | 1.4505 | 0.7718 | 1.0943 |
| Finland (Markka) | 7.1635 | 4.2200 | 2.2456 | 3.1837 |
| France (Fr) | 10.7700 | 6.3446 | 3.3761 | 4.7866 |
| Fr. Cty/Africa (CFA Fr) | 538.50 | 317.2312 | 168.8087 | 239.3333 |
| Fr. Guiana (Local Fr) | 10.7700 | 6.3446 | 3.3761 | 4.7866 |
| Fr. Pacific Is (CFP Fr) | 192.00 | 113.1075 | 60.1880 | 85.3333 |
| Gabon (CFA Fr) | 538.50 | 317.2312 | 168.8087 | 239.3333 |
| Gambia (Dalasi) | 11.0175 | 6.4904 | 3.4537 | 4.8966 |
| Germany East (Ostmark) | 3.1900 | 1.8792 | 1 | 1.4177 |
| Germany West (D-Mark) | 3.1900 | 1.8792 | 1 | 1.4177 |
| Ghana (Cedi) | 444.09 | 261.6141 | 139.2131 | 197.3733 |
| Gibraltar (Gib £) | 1.00 | 0.5891 | 0.3134 | 0.4444 |
| Greece (Drachma) | 270.40 | 159.2930 | 84.7648 | 120.1777 |
| Greenland (Danish Krone) | 12.4075 | 7.3092 | 3.8894 | 5.5144 |
| Grenada (E Carr $) | 4.5765 | 2.6960 | 1.4346 | 2.0340 |
| Guadaloupe (Local Fr) | 10.7700 | 6.3446 | 3.3761 | 4.7866 |
| Guam (US $) | 1.6975 | 1 | 0.5321 | 0.7544 |
| Guatemala (Quetzal) | 4.677 | 2.7552 | 1.4661 | 2.0786 |
| Guinea (Fr) | 508.5 | 299.5581 | 159.4043 | 226 |
| Guinea-Bissau (Peso) | 1101.75 | 649.0427 | 345.3761 | 489.6666 |
| Guyana (Guyanese $) | 50.90 | 29.9852 | 15.9561 | 22.6222 |
| Haiti (Goude) | 8.4750 | 4.9926 | 2.6567 | 3.7666 |
| Honduras (Lempira) | 3.3965 | 2 | 1.0647 | 1.5095 |
| Hong Kong (HK $) | 13.2190 | 7.7873 | 4.1438 | 5.8751 |
| Hungary (Forint) | 96.9472 | 57.1117 | 30.3909 | 43.0876 |
| Iceland (Icelandic Krona) | 89.80 | 52.9013 | 28.1504 | 39.9111 |
| India (Indian Rupee) | 27.00 | 15.9057 | 8.4639 | 12 |
| Indonesia (Rupiah) | 2981.91 | 1756.6480 | 934.7680 | 1325.2933 |
| Iran (Rial) | 120.60 | 71.0456 | 37.8056 | 53.6000 |
| Iraq (Iraqi Dinar) | 0.5271 | 0.3105 | 0.1652 | 0.2342 |
| Irish Rep (Punt) | 1.1955 | 0.7042 | 0.3747 | 0.5313 |
| Israel (Shekel) | 3.07 | 1.8085 | 0.9623 | 1.3644 |
| Italy (Lira) | 2338.25 | 1377.4668 | 732.9937 | 1039.2222 |
| Ivory Coast (CFA Fr) | 538.50 | 317.2312 | 168.8087 | 239.3333 |
| Jamaica (Jamaican $) | 9.1930 | 5.4156 | 2.8818 | 4.0857 |
| Japan (Yen) | 225.00 | 132.5478 | 70.5329 | 100 |
| Jordan (Jordanian Dinar) | 0.9035 | 0.5322 | 0.2832 | 0.4015 |
| Kampuchea (Riel) | 169.75 | 100 | 53.2131 | 75.4444 |
| Kenya (Kenya Shilling) | 32.40 | 19.0868 | 10.1567 | 14.4000 |
| Kiribati (Australian $) | 2.1028 | 1.2387 | 0.6591 | 0.9345 |
| Korea North (Won) | 1.6442 | 0.9686 | 0.5154 | 0.7307 |
| Korea South (Won) | 1130.93 | 666.2326 | 354.5235 | 502.6355 |
| Kuwait (Kuwaiti Dinar) | 0.4934 | 0.2906 | 0.1546 | 0.2192 |
| Laos (New Kip) | 728.85 | 429.3667 | 228.4796 | 323.9333 |
| Lebanon (Lebanese £) | 872.56 | 514.0265 | 273.5297 | 387.8044 |
| Lesotho (Maluti) | 4.3380 | 2.5555 | 1.3598 | 1.9280 |
| Liberia (Liberian $) | 1.6975 | 1 | 0.5321 | 0.7544 |
| Libya (Libyan Dinar) | 0.5004 | 0.2947 | 0.1568 | 0.2224 |
| Liechtenstein (Swiss Fr) | 2.8100 | 1.6553 | 0.8808 | 1.2488 |
| Luxembourg (Lux Fr) | 66.80 | 39.3519 | 20.9404 | 29.6888 |
| Macao (Pataca) | 13.6292 | 8.0289 | 4.2724 | 6.0574 |
| Madeira (Port Escudo) | 263.50 | 155.2282 | 82.6018 | 117.1111 |
| Malagasy Rep (MG Fr) | 2473.00 | 1456.8483 | 775.2351 | 1099.1111 |
| Malawi (Kwacha) | 4.5240 | 2.6650 | 1.4181 | 2.0106 |
| Malaysia (Ringgit) | 4.6638 | 2.7474 | 1.4620 | 2.0728 |
| Maldive Is (Rufiya) | 14.7635 | 8.6972 | 4.6280 | 6.5615 |
| Mali Rep (CFA Fr) | 538.50 | 317.2312 | 168.8087 | 239.3333 |
| Malta (Maltese £) | 0.5840 | 0.3440 | 0.1830 | 0.2595 |
| Martinique (Local Fr) | 10.7700 | 6.3446 | 3.3761 | 4.7866 |
| Mauritania (Ouguiya) | 127.1250 | 74.8895 | 39.8510 | 56.5000 |
| Mauritius (Maur Rupee) | 24.93 | 14.6863 | 7.8150 | 11.0800 |
| Mexico (Mexican Peso) | 4083.00a | 2405.3019 | 1279.9373 | 1814.6666 |
| | 4008.67d | 2361.5139 | 1256.6363 | 1781.6311 |
| Miquelon (Local Fr) | 10.7700 | 6.3446 | 3.3761 | 4.7866 |
| Monaco (French Fr) | 10.7700 | 6.3446 | 3.3761 | 4.7866 |
| Mongolia (Tugrik) | 5.6876 | 3.3505 | 1.7829 | 2.5278 |
| Montserrat (E Carr $) | 4.5765 | 2.6960 | 1.4346 | 2.0340 |
| Morocco (Dirham) | 14.10 | 8.3063 | 4.4200 | 6.2666 |
| Mozambique (Metical) | 1200.91 | 707.4580 | 376.4608 | 533.7377 |
| Namibia (S A Rand) | 4.3380 | 2.5555 | 1.3598 | 1.9280 |
| Nauru Is (Australian $) | 2.1028 | 1.2387 | 0.6591 | 0.9345 |
| Nepal (Nepalese Rupee) | 40.6800 | 23.9646 | 12.7523 | 18.0800 |
| Netherlands (Guilder) | 3.5975 | 2.1192 | 1.1277 | 1.5988 |
| N'nd Antilles (A/Guilder) | 3.0341 | 1.7873 | 0.9511 | 1.3484 |
| New Zealand (NZ $) | 2.7925 | 1.6450 | 0.8753 | 1.2411 |
| Nicaragua (Cordoba) | [illegible] | [illegible] | [illegible] | [illegible] |
| Niger Rep (CFA Fr) | 538.50 | 317.2312 | 168.8087 | 239.3333 |
| Nigeria (Naira) | 12.543 | 7.3891 | 3.9319 | 5.5746 |
| Norway (Nor. Krone) | 11.5800 | 6.8217 | 3.6301 | 5.1466 |
| Oman (Rial Omani) | 0.6525 | 0.3843 | 0.2045 | 0.2900 |
| Pakistan (Pak. Rupee) | 34.10 | 20.0883 | 10.6896 | 15.1555 |
| Panama (Balboa) | 1.6975 | 1 | 0.5321 | 0.7544 |
| Papua New Guinea (Kina) | 1.4377 | 0.8469 | 0.4506 | 0.6389 |
| Paraguay (Guarani) | 1713.54a | 1009.4491 | 537.1598 | 761.5733 |
| Peru (Inti) | 2384.33a | 1404.6126 | 747.4388 | 1059.7022 |
| Philippines (Peso) | 33.90 | 19.9705 | 10.6269 | 15.0666 |
| Pitcairn Is (£ Sterling) | 1.00 | 0.5891 | 0.3134 | 0.4444 |
| (NZ $) | 2.7925 | 1.6450 | 0.8753 | 1.2411 |
| Poland (Zloty) | 1074.54 | 633.0132 | 336.8463 | 477.5733 |
| Portugal (Escudo) | 263.50 | 155.2282 | 82.6018 | 117.1111 |
| Puerto Rico (US $) | 1.6975 | 1 | 0.5321 | 0.7544 |
| Qatar (Riyal) | 6.1745 | 3.6374 | 1.9355 | 2.7442 |
| Reunion Is. de la (F/Fr) | 10.7700 | 6.3446 | 3.3761 | 4.7866 |
| Romania (Leu) | 14.78i | 8.7069 | 4.6332 | 6.5688 |
| Rwanda (Fr) | 132.7885 | 78.2259 | 41.6264 | 59.0171 |
| St Christopher (E Carr $) | 4.5765 | 2.6960 | 1.4346 | 2.0340 |
| St Helena (£) | 1.00 | 0.5891 | 0.3134 | 0.4444 |
| St Lucia (E Carr $) | 4.5765 | 2.6960 | 1.4346 | 2.0340 |
| St Pierre (French Fr) | 10.7700 | 6.3446 | 3.3761 | 4.7866 |
| St Vincent (E Carr $) | 4.5765 | 2.6960 | 1.4346 | 2.0340 |
| San Marino (Italian Lira) | 2338.25 | 1377.4668 | 732.9937 | 1039.2222 |
| Sao Tome (Dobra) | 172.4408 | 101.5851 | 54.0566 | 76.6403 |
| Saudi Arabia (Riyal) | 6.3703 | 3.7527 | 1.9969 | 2.8312 |
| Senegal (CFA Fr) | 538.50 | 317.2312 | 168.8087 | 239.3333 |
| Seychelles (Rupee) | 9.2650 | 5.4580 | 2.9043 | 4.1177 |
| Sierra Leone (Leone) | 71.23 | 41.9617 | 22.3291 | 31.6577 |
| Singapore ($) | 3.3213 | 1.9565 | 1.0411 | 1.4761 |
| Solomon Is ($) | 3.7409 | 2.2037 | 1.1726 | 1.6626 |
| Somali Rep (Shilling) | 403.41 | 237.6494 | 126.4608 | 179.2933 |
| South Africa (Rand) | 4.3380c | 2.5555 | 1.3598 | 1.9280 |
| | 6.9918g | 4.1188 | 2.1917 | 3.1074 |
| Spain (Peseta) | 197.85 | 116.5537 | 62.0219 | 87.9333 |
| Spanish Ports in N Africa (Sp Peseta) | 197.85 | 116.5537 | 62.0219 | 87.9333 |
| Sri Lanka (Rupee) | 58.50 | 34.4624 | 18.3385 | 26 |
| Sudan Rep (£) | 7.6275 | 4.4933 | 2.3910 | 3.3900 |
| Surinam (Guilder) | 2.9917 | 1.7624 | 0.9378 | 1.3296 |
| Swaziland (Lilangeni) | 4.3380 | 2.5555 | 1.3598 | 1.9280 |
| Sweden (Krona) | 10.8600 | 6.3976 | 3.4043 | 4.8266 |
| Switzerland (Fr) | 2.8100 | 1.6553 | 0.8808 | 1.2488 |
| Syria (£) | 35.5950 | 20.9690 | 11.1583 | 15.8200 |
| Taiwan ($) | 46.00 | 27.0986 | 14.4200 | 20.4444 |
| Tanzania (Shilling) | 228.10 | 134.3740 | 71.5047 | 101.3777 |
| Thailand (Baht) | 43.50 | 25.6259 | 13.6363 | 19.3333 |
| Togo Rep (CFA Fr) | 538.50 | 317.2312 | 168.8087 | 239.3333 |
| Tonga Is (Pa Anga) | 2.1028 | 1.2387 | 0.6591 | 0.9345 |
| Trinidad/Tobago ($) | 7.2038 | 4.2437 | 2.2582 | 3.2016 |
| Tunisia (Dinar) | 1.6085 | 0.9475 | 0.5042 | 0.7148 |
| Turkey (Lira) | 3474.62 | 2046.9042 | 1089.2225 | 1544.2755 |
| Turks & Caicos (US $) | 1.6975 | 1 | 0.5321 | 0.7544 |
| Tuvalu (Australian $) | 2.1028 | 1.2387 | 0.6591 | 0.9345 |
| Uganda (New Shilling) | 339.1695 | 199.8053 | 106.3227 | 150.7420 |
| UAE (Dirham) | 6.2378 | 3.6746 | 1.9554 | 2.7723 |
| United Kingdom (£) | 1.00 | 0.5891 | 0.3134 | 0.4444 |
| United States (US $) | 1.6975 | 1 | 0.5321 | 0.7544 |
| Uruguay (Peso) | 873.8 | 514.7569 | 273.9184 | 388.3555 |
| USSR (Rouble) | 1.0578 | 0.6231 | 0.3315 | 0.4701 |
| Vanuatu (Vatu) | 180.00 | 106.0382 | 56.4263 | 80 |
| Vatican (Lira) | 2338.25 | 1377.4668 | 732.9937 | 1039.2222 |
| Venezuela (Bolivar) | 60.9500 | 35.9057 | 19.1066 | 27.0888 |
| Vietnam (Dong) | 7627.50 | 4493.3726 | 2391.0658 | 3390 |
| Virgin Is-British (US $) | 1.6975 | 1 | 0.5321 | 0.7544 |
| Virgin Is-US (US $) | 1.6975 | 1 | 0.5321 | 0.7544 |
| Western Samoa (Tala) | 3.7327 | 2.1989 | 1.1701 | 1.6589 |
| Yemen (Rial) | 16.55 | 9.7378 | 5.1818 | 7.3466 |
| Yemen PDR (Dinar) | [illegible] | [illegible] | [illegible] | [illegible] |
| Yugoslavia (Dinar) | 15279.44 | 9001.1428 | 4789.7931 | 6790.8622 |
| Zaire Rep (Zaire) | 578.75 | 340.9425 | 181.4263 | 257.2222 |
| Zambia (Kwacha) | [illegible] | 10.0736 | [illegible] | [illegible] |
| Zimbabwe ($) | 3.41 | 2.0088 | 1.0689 | 1.5155 |

Special Drawing Rights April 7, 1989 United Kingdom £0.764025 United States $1.30060 Germany West D Mark 2.43121 Japan Yen171.809 European Currency Unit Rates April 10, 1989 United Kingdom £0.653935 United States $1.10809 Germany West D Mark 2.08122 Japan Yen147.011

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/3. Monday, April 10, 1989.

# INTERNATIONAL CAPITAL MARKETS

## Treasuries trade quietly ahead of big batch of data

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds started the week little changed in very quiet trading as traders continued to digest last Friday's employment figures and took a cautious stance ahead of this week's clutch of economic data.

In late trading, prices stood virtually unchanged along most of the yield curve but as much as ¼ point higher at the long end. The Treasury's benchmark long bond was quoted ⅛ point higher for a yield of 9.10 per cent.

The employment release on Friday gave somewhat confusing signals but, overall, the bond market interpreted it as showing still considerable strength in the jobs market and continuing upward pressure on wages.

In that context, Friday's release of the March producer prices index will be all-important. The PPI is expected to have risen by around 0.4 per cent, boosted by higher crude oil prices.

On the same day, March data will be released on industrial production and capacity utilisation as well as February figures for business inventories and the trade balance. On Thursday, retail sales figures for March are due out.

With so much economic data expected, the market is likely to trade quietly at the beginning of the week.

### GOVERNMENT BONDS

GOVERNMENT long bond yields in most major markets are in for a dull second quarter, according to a recent paper produced by CSFB. Yields are boxed in, on the upside by fears of recession, supply shortages of outstanding paper and by what CSFB sees as a temporary lull in monetary tightening.

Equally, substantial downward moves are unlikely because of persistent inflation fears and dim prospects for any relaxation, either, in central bank monetary policy.

The report predicts the US long bond will trade in a range of between 8.75 per cent and 9.50 per cent, with Deutsche Mark 10-year paper centred just below 7 per cent and comparable yen issues around 5 per cent, although political troubles in both Germany and Japan may cause yields to spike higher from time to time.

Moving on to strategies appropriate to individual markets, CSFB draws attention to the continually changing shape of the Japanese yield curve. While accounting changes have already chipped away at the relative attractiveness of high coupon bonds with one- to seven-year maturities, the report anticipates a further narrowing in the spread between high and low coupon stock.

The most attractive instrument for trading purposes is apparently the 10-year future, which should pick up any coupon effect as it tends to be priced off the low coupon issues.

Also, current uncertainty over the durability of the No 111's benchmark status enhances the attractiveness of futures compared with cash as a trading medium.

UK GILT-EDGED securities ended the day firmer, despite mixed signals from inflation and a growing consensus that the next move in base rates will be up. The long gilt future on Liffe closed at 95-08, representing a ¼ point gain on the day.

Talk of 14 or 15 per cent base rates contributed to the relative buoyancy of sterling which, in turn — if paradoxically — helped gilts prices.

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| UK GILTS | | 13.500 | 9/92 | 106-25 | -3/32 | 11.07 | 10.96 | 10.57 |
| | | 9.750 | 1/98 | 98-24 | -2/32 | 10.32 | 10.21 | 9.97 |
| | | 9.000 | 10/08 | 96-30 | -6/32 | 9.34 | 9.24 | 9.07 |
| US TREASURY * | | 8.875 | 2/99 | 97-11 | -0/32 | 9.28 | 9.25 | 9.34 |
| | | 8.875 | 2/19 | 97-17 | -1/32 | 9.11 | 9.07 | 9.14 |
| JAPAN | No 111 | 4.800 | 6/98 | 95.2371 | +0.061 | 5.20 | 5.14 | 5.17 |
| | No 2 | 5.700 | 3/07 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| GERMANY | | 6.375 | 11/98 | 96.0750 | -0.425 | 6.94 | 6.86 | 6.96 |
| FRANCE | BTAN | 8.000 | 1/94 | 96.1240 | -0.163 | 9.02 | 9.02 | 9.31 |
| | OAT | 8.125 | 5/99 | 94.5500 | -0.220 | 8.98 | 8.91 | 9.14 |
| CANADA * | | 10.250 | 12/98 | 98.7500 | +0.200 | 10.46 | 10.37 | 10.49 |
| NETHERLANDS | | 6.7500 | 10/98 | 97.5250 | -0.300 | 7.11 | 7.13 | 7.17 |
| AUSTRALIA | | 12.000 | 7/99 | 90.2327 | -0.327 | 13.78 | 13.74 | 13.82 |

London closing, *denotes New York closing
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

### FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on April 10

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Abbey National 7½ 92 | 200 | †92⅞ | 92⅞ | +0¼ | +0⅞ | 10.60 |
| B.F.C.E. 7 92 | 150 | 91½ | 92 | -0⅛ | +0⅛ | 10.36 |
| B.F.C.E. 9¼ 95 | 150 | 96 | 96½ | 0 | +0⅛ | 10.03 |
| Brit. Tel. Fin. 9⅞ 98 | 250 | 96⅛ | 96⅝ | -0¼ | -0⅛ | 9.96 |
| Canada 9 96 | 1000 | 96⅜ | 96⅞ | -0½ | +0⅛ | 9.69 |
| Canadian Pac 10¼ 93 | 100 | †100½ | 101½ | -0¼ | +0⅜ | 10.42 |
| C.C.C.E 9¼ 95 | 300 | 96¼ | 96¾ | -0½ | 0 | 10.06 |
| C.N.C.A 9⅞ 93 | 150 | †97⅛ | 97⅝ | -0⅛ | +0⅛ | 6.99 |
| Credit Lyonnais 9 91 | 200 | †97⅝ | 98⅛ | 0 | +0⅛ | 10.27 |
| Credit National 8¼ 93 | 200 | 93⅜ | 93¾ | -0⅝ | 0 | 10.30 |
| Credit National 7¾ 92 | 100 | 92⅜ | 92⅞ | -0¼ | +0⅛ | 10.32 |
| Credit National 9½ 92 | 160 | 98⅝ | 99⅛ | -0⅛ | +0¼ | 9.85 |
| Dai-Ichi Kan 9⅞ 92 | 150 | 97⅞ | 98⅜ | -0⅛ | 0 | 10.34 |
| Denmark 7⅛ 92 | 500 | 92 | 92⅛ | -0⅛ | 0 | 10.39 |
| E.E.C. 7 91 | 100 | 92⅞ | 93⅞ | +0¼ | 0 | 10.17 |
| E.E.C. 7¼ 93 | 250 | 90¾ | 91¼ | -0⅛ | +0⅛ | 10.15 |
| E.E.C. 8 90 | 350 | †96⅞ | 97⅛ | 0 | 0 | 10.63 |
| E.I.B. 7⅝ 93 | 100 | 90½ | 91 | -0¼ | -0⅛ | 10.18 |
| E.I.B. 9⅞ 97 | 150 | — | — | — | — | — |
| Elec. De France 9 98 | 200 | 94¾ | 94¾ | -0½ | -0⅛ | 9.95 |
| Finland 7⅞ 97 | 200 | 88⅜ | 88⅞ | -0⅛ | -0¼ | 10.03 |
| Finn. Exp. Cd. 8½ 92 | 200 | 95¼ | 95¾ | -0¼ | +0¼ | 10.35 |
| Finn. Exp. Cd. 9⅞ 95 | 200 | 96 | 96½ | -0¼ | -0⅛ | 10.16 |
| Ford Motor Credit 8 91 | 250 | †95⅝ | 96⅛ | -0¼ | +0¼ | 10.44 |
| Gen. Elec. Cap. Corp. 9 93 | 500 | 95⅞ | 96⅛ | 0 | +0⅛ | 10.13 |
| Gen Elec Credit 10¼ 00 | 200 | 99⅝ | 100⅛ | 0 | +0⅛ | 10.26 |
| Gen. Mtrs. Corp. 9⅛ 92 | 200 | 96⅛ | 96⅝ | -0⅛ | -0⅛ | 10.41 |
| Halifax BS 9½ 93 | 200 | †96⅞ | 97⅜ | 0 | +0⅜ | 10.35 |
| IBM Credit Corp. 8⅞ 91 | 250 | 97 | 97½ | -0⅛ | +0⅛ | 10.10 |
| IBM Credit Corp. 9½ 92 | 250 | 98⅞ | 99⅛ | -0⅛ | 0 | 10.00 |
| Italy 9½ 95 | 1000 | 97⅛ | 97⅝ | -0⅜ | -0⅜ | 10.04 |
| Italy 9⅝ 99 | 1000 | 97⅛ | 97⅝ | -0⅜ | -0⅜ | 10.05 |
| L.T.C.B of Japan 8 91 | 100 | 94½ | 95 | 0 | 0 | 10.60 |
| L.T.C.B. of Japan 9¼ 92 | 200 | 96⅝ | 97⅛ | -0⅛ | +0⅛ | 10.30 |
| Metropolis Tokyo 9½ 93 | 200 | 98¼ | 98¾ | -0⅛ | -0⅛ | 9.97 |
| Nippon Tel.&Tel. 9⅝ 98 | 250 | 96⅜ | 96⅞ | 0 | 0 | 9.92 |
| Norway 8¼ 93 | 500 | 95¾ | 96¼ | 0 | +0¼ | 10.03 |
| Portugal 8¼ 91 | 300 | †95¾ | 96¼ | +0⅛ | +0⅛ | 10.62 |
| Prudential Crp. 8⅞ 94 | 125 | 94⅞ | 95¼ | -0⅛ | +0⅛ | 10.00 |
| Qantas Airways 10⅝ 95 | 140 | 100⅞ | 101⅜ | -0⅜ | 0 | 10.13 |
| Saskatchewan 10⅞ 92 | 100 | 100⅝ | 101⅛ | -0⅜ | -0¼ | 10.36 |
| State Bk S Aust 9¼ 93 | 100 | 96⅜ | 96¾ | -0¼ | 0 | 10.38 |
| Sumitomo Bank 9⅝ 92 | 150 | 98 | 98⅛ | -0⅛ | 0 | 10.25 |
| Swed Exp Cred 7¾ 91 | 100 | †93 | 93½ | -0⅛ | +0¼ | 10.22 |
| Sweden 7 91 | 250 | 92⅞ | 93⅜ | -0⅜ | 0 | 10.22 |
| Sweden 8¼ 96 | 200 | 94 | 94½ | -0⅛ | 0 | 9.93 |
| Sweden 8½ 92 | 200 | †95 | 95½ | -0½ | 0 | 10.20 |
| Toyota 9½ 91 | 200 | 97½ | 98⅛ | 0 | -0¼ | 10.46 |
| Victorian Rep 11⅝ 92 | 150 | 102⅝ | 103⅛ | -0¼ | -0⅜ | 10.46 |
| World Bank 7 92 | 300 | †92⅝ | 93⅛ | 0 | +0⅛ | 10.02 |
| World Bank 9 97 | 300 | 94⅜ | 94⅞ | -0⅜ | -0¼ | 9.96 |
| World Bank 9¼ 98 | 300 | 95⅞ | 96⅜ | -0¼ | +0⅜ | 9.88 |
| World Bank 9⅝ 99 | 500 | 98 | 98½ | -0⅜ | -0½ | 9.90 |
| Yasuda Trust Fin 8½ 93 | 100 | †93⅛ | 93⅝ | -0¼ | +0⅜ | 10.42 |

Average price change... On day -0¼ on week +0

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Asian Dev. BK. 6 94 | 200 | 97⅝ | 98⅜ | 0 | +0⅛ | 6.42 |
| Austria 6¼ 99 | 750 | 99⅛ | 99⅝ | — | — | 6.87 |
| Bank of Tokyo 5¾ 93 | 100 | 96⅜ | 97⅛ | -0⅛ | 0 | 6.65 |
| Commerzbank o/s. 5⅞ 93 | 300 | 96½ | 97 | +0⅛ | +0⅛ | 6.37 |
| Credit Foncier 6⅞ 99 | 500 | 99 | 99¼ | — | — | 7.88 |
| Degussa Int. 6⅞ 97 | 200 | 95⅞ | 96⅝ | +0⅝ | +0¼ | 6.72 |
| E.I.B 5½ 98 | 150 | 90¾ | 91½ | -0⅜ | -0⅜ | 6.85 |
| E.I.B. 6¼ 99 | 600 | 96 | 96⅜ | -0⅛ | 0 | 6.80 |
| E.I.B. 6⅞ 96 | 300 | 96¾ | 97⅜ | +0⅛ | +0¼ | 6.63 |
| E.I.B. 6½ 99 | 300 | 97⅝ | 97⅞ | — | — | 6.82 |
| E.I.B. 6⅞ 95 | 300 | 100⅝ | 101⅛ | -0¼ | +0⅛ | 6.67 |
| Euro.Coal& Steel 5⅞ 97 | 175 | 94⅝ | 95⅛ | -0⅜ | +0⅛ | 6.73 |
| Eurofima 6¼ 96 | 100 | 97⅞ | 98⅞ | -0⅞ | -1 | 6.65 |
| Elec De France 5¾ 97 | 300 | 93⅝ | 94⅜ | -0¼ | +0¼ | 6.72 |
| Forsmark Krtg. 5⅛ 93 | 200 | 94⅛ | 95 | 0 | 0 | 6.70 |
| Hydro-Quebec 6¼ 99 | 300 | 99 | 99¼ | — | — | 6.87 |
| Japan Dev. Bk. 5⅜ 95 | 300 | 93½ | 94⅛ | +0¼ | +0⅜ | 6.63 |
| Japan Finance 5¾ 97 | 100 | 93 | 93⅝ | 0 | -0¼ | 6.86 |
| Ireland 6½ 97 | 300 | 97⅛ | 97⅞ | -0⅝ | -0⅞ | 6.89 |
| Malaysia 6¼ 94 | 150 | 100⅝ | 101⅜ | 0 | 0 | 6.01 |
| Nat. West BK. PLC 6 98 | 300 | 93⅞ | 94½ | -0⅛ | -0⅛ | 6.89 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 7.02 |

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Canada 6⅛ 91 | 80 | 101⅝ | 101⅞ | 0 | -0⅛ | 5.11 |
| Canada 5⅝ 93 | 80 | 101⅞ | 102⅛ | 0 | -0⅛ | 5.09 |
| Eurofima 5 1995 | 20 | 98⅞ | 99⅜ | 0 | 0 | 5.17 |
| E.I.B. 4⅞ 93 | 30 | 98⅞ | 99⅝ | 0 | 0 | 5.16 |
| Ireland 5⅛ 93 | 30 | 99¼ | 100¼ | 0 | 0 | 5.12 |
| Norway 5⅛ 95 | 50 | 99⅞ | 100⅛ | 0 | -0⅛ | 5.12 |
| Sweden 4⅝ 93 | 50 | 97⅞ | 98⅛ | 0 | -0⅛ | 5.18 |
| World Bank 5⅛ 98 | 10 | 99⅝ | 100⅛ | -0⅛ | 0 | 5.14 |
| World Bank 7 94 | 20 | 107⅞ | 108⅜ | +0⅛ | +0⅛ | 5.13 |

Average price change... On day +0 on week -0⅛

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Abbey Natl.BS 10⅞ 93 £ | 50 | †95⅞ | 96⅛ | -0¼ | -0⅛ | 11.53 |
| Abbey Natl. 11⅞ 95 £ | 100 | 98⅜ | 99 | -0⅛ | -0½ | 11.94 |
| Alg. Bk. Ned. 5½ 92 FL | 150 | 95¼ | 95¾ | 0 | 0 | 7.29 |
| Alg. Bk. Ned. 5¼ 93 FL | 200 | 96⅞ | 97¼ | -0½ | -0⅛ | 6.64 |
| Austria 7½ 94 ECU | 100 | 95⅛ | 95⅝ | -0⅜ | -0½ | 8.68 |
| Bk.Nova Scot.14⅛ 90 A$ | 75 | 95⅝ | 96⅛ | +0⅛ | +0¼ | 17.11 |
| Barclays Aus.13½ 91 A$ | 100 | 95⅝ | 96⅛ | 0 | +0¼ | 15.48 |
| BP Capital 9¼ 93 £ | 100 | 93½ | 94 | 0 | 0 | 11.79 |
| British Airways 10 98 £ | 100 | 91⅝ | 92⅛ | 0 | -0⅜ | 11.50 |
| Buhrmann-Tet. 6⅞ 93 FL | 100 | 96⅞ | 97⅛ | +0⅛ | +0¼ | 7.17 |
| Comm.Bk.Aust. 12⅞ 93A$ | 100 | 92 | 92½ | -0¼ | +0¼ | 14.15 |
| Coop.Ctr.Rabo.6¼ 93 FL | 100 | 98⅞ | 99⅜ | +0⅛ | +0½ | 6.51 |
| Coop.Ctr.Rabo.6 92 FL | 200 | 97½ | 98 | -0⅛ | 0 | 6.78 |
| Dixons 11 95 £ | 90 | †96 | 96½ | 0 | -1¼ | 11.75 |
| Deut.Bk.Aus. 13⅞ 93 A$ | 125 | 97½ | 98 | +0¼ | +1¼ | 14.04 |
| Eastman Kodak 13 90 A$ | 100 | †95¼ | 95¾ | 0 | +0⅛ | 16.73 |
| E.I.B. 7 96 LFr | 100 | †97¼ | 98¼ | 0 | +0¼ | 7.43 |
| Elec.France 10¼ 95 C$ | 125 | †95¾ | 96¼ | -0⅛ | -0¼ | 11.17 |
| Euratom 7⅞ 97 ECU | 145 | 91¼ | 91¾ | -0⅛ | 0 | 8.90 |
| Fed.Bus.Dv.Bk.9⅞ 92 C$ | 75 | †95⅛ | 95⅝ | 0 | -0⅛ | 11.55 |
| Fed.Bus.Dev.Bk.10½ 93 | 50 | 96⅛ | 96⅝ | 0 | +0¼ | 11.56 |
| Ford Cr.Can.10¾ 93 C$ | 100 | †97⅛ | 97⅝ | -0⅛ | -0¼ | 11.61 |
| Ford Cred.Can.10⅞ 96C$ | 125 | 97⅛ | 97⅝ | 0 | 0 | 11.41 |
| Ford Mtr.Cred.7½ 91ECU | 100 | †96 | 96½ | -0¼ | -0⅛ | 9.15 |
| G.M.A.C. 9⅞ 93 C$ | 150 | — | — | — | — | — |
| Honda Intl. 7⅞ 93 Ecu | 100 | †96½ | 97 | +0⅛ | +0½ | 8.74 |
| Hydro-Quebec 11 99 C$ | 400 | 98⅞ | 98⅞ | +0⅛ | -0⅛ | 11.29 |
| Lloyds Bank 10¼ 98 £ | 150 | 92¼ | 92¾ | -0⅛ | -0½ | 11.64 |
| Lloyds Bank 11⅞ 98 £ | 100 | 96⅛ | 96⅝ | 0 | -1⅝ | 12.00 |
| Montreal Tst.10¾ 93 C$ | 100 | †96 | 96½ | 0 | -0¼ | 11.89 |
| Morgan Guar.Tst. 11 91 C$ | 150 | 98⅛ | 98⅝ | -0⅜ | -0⅜ | 12.01 |
| Nat. Aus. Bk. 14⅝ 94A$ | 100 | †97⅞ | 98⅜ | -0½ | -0⅞ | 15.29 |
| Ned.Midd.Bank 6 92 FL | 150 | 96⅛ | 96⅝ | -0⅜ | -0⅛ | 7.40 |
| New Zealand 9½ 93 £ | 100 | 92⅞ | 92⅞ | 0 | -0¼ | 11.89 |
| New Zealand 7¼ 93 ECU | 200 | 96⅞ | 97¼ | -0⅛ | -0⅛ | 8.68 |
| Philips Gleoil. 6 93 FL | 300 | 97⅛ | 97½ | +0⅛ | +0½ | 6.74 |
| Privatbanken 7½ 94 LFr | 500 | †98¼ | 99¼ | 0 | +0¼ | 7.81 |
| Royal Bk.Scot. 10⅛ 98 £ | 125 | 94⅞ | 94⅞ | -0½ | -1½ | 11.69 |
| Saskatchewan 9⅞ 91 C$ | 150 | †96⅛ | 96⅝ | +0⅛ | +0⅛ | 11.72 |
| Saskatchewan 10¼ 93 C$ | 200 | 95⅞ | 96⅜ | +0¼ | +0½ | 11.34 |
| State Bk.NSW. 13⅞ 93A$ | 100 | 94⅞ | 95⅛ | -0¼ | -0⅛ | 15.35 |
| Sweden 15 94 A$ | 100 | 101⅞ | 102¼ | +0⅛ | +0¼ | 14.39 |
| Union Bk. Switz. 7½ 93 | 150 | †96 | 97 | 0 | -0 | 8.42 |
| World Bank 5¾ 92 FL | 100 | 97½ | 98 | +0¼ | +0⅛ | 6.61 |
| World Bank 13⅛ 92 A$ | 100 | †99⅝ | 100⅛ | +0⅜ | +1¼ | 13.36 |
| Zentrspk. 13⅛ 93 A$ | 75 | 96⅛ | 96½ | 0 | +0⅛ | 14.38 |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn |
|---|---|---|---|---|---|
| Alliance & Leic.Bld 94 £ | .08 | 99.73 | 99.79 | 18/04 | 13.21 |
| Belgium 91 US | 0 | 100.04 | 100.14 | 19/06 | .38 |
| Chase Manhattan Crp.91 US | 0⅛ | 99.33 | 99.58 | 20/08 | 9.94 |
| Chelt.& Gloucester 94 | .063 | 99.76 | 99.81 | 30/05 | 13.47 |
| Citicorp 98 US | 0¼ | 98.30 | 98.55 | 29/05 | 10.33 |
| Credit Foncier 98 US | .063 | 99.92 | 100.02 | 20/04 | 8.44 |
| EEC 3 92 DM | 0 | 100.83 | 100.94 | 20/08 | 6.72 |
| Halifax BS 94 £ | .1 | 99.91 | 99.96 | 6/05 | 13.07 |
| Invt. in Industry 94 £ | 0⅛ | 99.97 | 100.07 | 24/05 | 13⅛ |
| Leeds Perm. B/S. 94 £ | 0⅛ | 100.05 | 100.10 | 13/04 | 13.37 |
| Midland Bank 01 £ | .1 | 97.91 | 98.29 | 7/05 | 13.1 |
| Milk Mkt. Brd. 5 93 £ | 0⅛ | 99.90 | 99.95 | 30/12 | 12.06 |
| New Zealand 5 97 £ | .07 | 100.00 | 100.10 | 14/11 | 12.19 |
| State Bk. Nsw. 98 US | .188 | 100.22 | 100.32 | 11/08 | 9.94 |
| Woolwich Equit. BS. 93 £ | 0⅛ | 99.95 | 100.00 | 13/04 | 13.37 |
| Woolwich 5 95 £ | 0⅛ | 99.87 | 99.92 | 19/05 | 13.12 |

Average price change... On day +0.00 on week -0.01

CONVERTIBLE BONDS

[illegible]

SWISS FRANC STRAIGHTS

[illegible]

* No information available—previous day's price

† Only one market maker supplied a price

[illegible]

[illegible]

## INTERNATIONAL CAPITAL MARKETS

# US economic uncertainty dampens bond activity

By Norma Cohen

WITH A heavy calendar of US and UK economic data scheduled for release over the course of the week, Eurobond market activity opened the week on a muted note.

Of greatest anxiety to the markets are the key US producer price index and merchandise trade deficit for March and February respectively, both set for release on Friday. With US PPI rising at a 1 per cent rate in each of the first two months of this year, analysts generally agree that a rise of similar magnitude would have to be met with some affirmative response by the Federal Reserve.

### INTERNATIONAL BONDS

Still, uncertainty about the US economy was insufficient to deter the successful launch of a $200m seven-year Eurobond for Japan Development Bank, an entity that carries the guarantee of the Japanese Government. The bonds, lead-managed by LTCB International, were priced at 101¼ to yield 52 basis points over US Treasuries on a semi-annual basis. The bonds were seen quoted well inside their 1⅞ per cent fees at a discount of 1.77 per cent, with syndicate members saying that the bonds were placed predominantly in Japan.

The immediate sale of Japanese-issued Eurobonds back into Japan is a particularly delicate matter for JDB, a quasi-public borrower. Japanese government regulations prohibit the sale of the bonds in Japan until 90 days after launch and it would be embarrassing for JDB to be seen aiding the circumvention of government regulations. However, the double-digit coupon and the top-quality name of the borrower are such that Japanese investors are the most likely buyers of the securities.

Still, LTCB, which underwrote nearly half the issue, said that the bulk of its sales of the securities had been into Europe and the Middle East.

Also launched yesterday was a A$50m one-year deal for New Zealand, rated AAA/AA. The bonds were priced in line with a similar deal late last week for Council of Europe bearing a coupon of 17 per cent and priced at 101⅜. Proceeds were said to have been swapped into floating rate D-Marks to yield 70 basis points under Libor.

Lead manager Commerzbank declined to comment on the swap terms, saying only that the issue was trading inside its 1 per cent fees. However, dealers noted that the borrower might not be as well perceived as Council of Europe among retail investors in Europe.

In Switzerland, Enterprise Oil Finance BV issued a SFr150m nine-year nine-month bond bearing a coupon of 5¾ per cent via Swiss Bank Corporation. The issue is guaranteed by Enterprise Oil, the UK's largest independent oil company. However, dealers said the issue was suffering from lack of investor familiarity with the borrower.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | |
| Japan Development Bank(a)◆ | 200 | 10 | 101¼ | 1996 | 1⅞/1⅛ | LTCB Int. |
| Final terms fixed on: | | | | | | |
| Mitsubishi Estate(e)‡◆ | 700 | 4¾ | 100 | 1994 | 2¼/1½ | Nikko Secs. (Europe) |
| Ushio Inc.(g)‡◆ | 150 | 5 | 100 | 1994 | 2¼/1½ | Daiwa Europe |
| **AUSTRALIAN DOLLARS** | | | | | | |
| New Zealand(a)◆ | 50 | 17 | 101⅜ | 1990 | 1/⅝ | Commerzbank |
| **CANADIAN DOLLARS** | | | | | | |
| Cregem Finance◆ | 75 | 12 | 101.90 | 1992 | 1⅜/⅞ | UBS Phillips & Drew |
| **FRENCH FRANCS** | | | | | | |
| Scand.Airlines System(f)◆ | 200 | 9¼ | 100⅝ | 1999 | 2/1⅜ | BNP Capital Markets |
| **SWISS FRANCS** | | | | | | |
| Enterprise Oil Finance(a)◆ | 150 | 5¾ | 101 | 1999 | 2⅜ | SBC |
| Final terms fixed on: | | | | | | |
| Miura Co.(b)★★§◆ | 60 | ½ | 100 | 1994 | n/a | Nomura Bank(Switzerland) |
| **YEN** | | | | | | |
| PKbanken(c)◆ | 10bn | 9½ | 101⅝ | 1993 | 1⅜/1⅛ | Bankers Trust Int. |
| Postipankki(d)◆ | 5bn | 7⅝ | 101⅞ | 1994 | 1⅞/1¼ | Nippon Credit Int. |

★★Private placement. §Convertible. ‡With equity warrants. ◆Final terms: a) Non-callable. b) Put option fixed at 104¼ to yield 1.88%. c) Redemption linked to Nikkei stock index, call April 1991 also Nikkei linked. Unlisted. d) Redemption linked to Nikkei stock index, non-callable. Unlisted. e) Coupon cut by ⅜% from indication. f) Fungible with SAS FFr500m 9¼% bond due 14/3/99. g) Coupon cut by ¼% from indication.

# China Resources to raise local finance

CHINA RESOURCES, the Hong Kong-based trading flagship of the mainland Chinese Ministry of Foreign Economic Relations and Trade (Mofert), is raising US$150m locally through a syndicated loan to finance its recent acquisition of a 10 per cent stake in container port operator Hongkong International Terminals (HIT), writes Michael Marray in Hong Kong.

The seven-year loan, the first long-term borrowings by China Resources in Hong Kong, is being arranged by Bankers Trust unit BT Asia. It will carry interest of 0.1875 per cent over Libor for the first two years and 0.25 per cent for the remaining five years.

The terms include a US dollar-yen currency option, under which BT Asia has the right to buy yen at a predetermined rate after four years.

Ten or more banks will be invited to join the syndication, possibly including Chase Manhattan Asia.

# Security Pacific drops Third World loans

By Stephen Fidler, Euromarkets Correspondent

SECURITY Pacific, the Los Angeles-based bank, is closing its developing country asset trading operation in New York, having reduced the size of its Third World loan portfolio.

The bank's developing country debt portfolio shrank to $530m at the end of last year — 60 per cent of which was reserved — from the end-1987 level of $1.8bn. The bank now considers the overheads of running the division no longer justified. However, the bank will continue to arrange corporate finance deals in the market, using other dealers or the bank's own trade finance department.

Mr Dick Keller, managing director of the bank's international merchant banking department for the Pacific rim, said that the decision followed the reduction of the bank's own portfolio. Trading volumes and prices had fallen, and the bank was also forecasting further declines in turnover and depressed profit margins.

"We accomplished our objective of liquidating the portfolio, and the view was that this market was not one which would grow in the long term," he said. The New York business employed six people.

Most market activity involved the churning of loans to make small trading profits, he said, adding that the proposals to accelerate voluntary debt reduction being proposed by the US administration would, even if implemented, do little to alter that.

# SEAQ extends quotations

FIRM PRICES for Singapore stocks have been added to SEAQ International, the international share price quotation service of the London stock exchange, writes Stephen Fidler.

Six market-makers are quoting firm prices in the new section, which covers 11 Singapore stocks.

# Paribas agrees Mexican $48m debt-equity swap

By George Graham in Paris

PARIBAS, the French investment bank, has completed a $48m debt-equity swap in Mexico.

The group announced yesterday that it had signed an agreement with the Mexican Government for a swap that will finance the construction of a 300-room luxury hotel in Mexico City.

The hotel will be managed by the Canadian hotel group Four Seasons, which owns the Pierre in New York and the Inn on the Park in London. The architecture and decoration of the "old-style palace" will reflect traditional Mexican culture, the bank said.

The debt involved in the deal is understood to have come from Paribas' own portfolio of Mexican debt, but no rate of discount has been disclosed.

Paribas said it was studying a number of other debt-equity swaps involving investment in the hotel sector in a variety of Latin American countries. The group has a total Latin American debt portfolio of FFr6bn ($952m), with Mexico and Venezuela the two main debtors.

However, its stock of provisions was increased by a further FFr4.8bn last year and now covers an average of 46 per cent of its sovereign debt exposure.

Other French banks have also used the debt-equity swap technique in Latin America, including Crédit Lyonnais, which 18 months ago used this means to finance the purchase of Chile's Banco Continental.

The technique permits a foreign investor to buy a bank debt, probably denominated in dollars, at a heavy discount in the informal secondary market, and then to convert it, with central bank approval, into local currency at a rate much closer to its face value. This local currency can then be used to fund investment in the country.

Mexico's overall external debt was estimated last year at $107bn, with annual interest payments representing some 28 per cent of the country's total exports of goods and services. However, the country's authorities have recently been more reticent about debt-equity swaps.

# Comex chief's exit raises fears

By Katharine Campbell

CONCERN was growing in New York yesterday over the implications of the resignation of Commodity Exchange (Comex) president Alan Brody with effect from June 30.

Mr Brody's exit from the world's largest metals futures exchange had been widely tipped in past months. However, an industry official described his imminent departure as "unfortunate, given the current state of the industry", adding that it could herald "a reversion to the dark days when exchange policy was dictated by a narrow coterie of floor traders."

The current chairman of the exchange, Mr John Hanemann, who is in charge of appointing the new president, ousted Mr Brody from the chairmanship in a membership vote a year ago, although Mr Brody remained as president and chief executive officer.

The two mens' styles are completely different. Mr Hanemann, a well-known veteran of the gold futures pit, persuaded the board of the exchange that he is in closer touch with their needs than Mr Brody, a 36-year old lawyer who came to Comex in 1980 in the wake of the Hunt brothers' silver scandal.

Mr Brody's critics point to Comex's loss of market share over the last few years and its seeming inability to deal with modernisation issues.

In the early 1980's, Comex was the most active among the rival New York exchanges, whereas now it struggles to achieve slightly more than half the turnover of the New York Mercantile Exchange, the leading energy futures market. It has been unsuccessful at branching out into new products, and the systems side badly needs updating. Talks about a merger with other New York exchanges have been stalled repeatedly.

At the same time, officials at other exchanges are worried about Comex's future on two counts. They fear both a downgrading of the president's position and also that the new regime may represent a "traders' quick fix."

All this comes at a bad time for the futures industry; it is caught in the midst of turmoil arising from the FBI investigation into Chicago pit abuses, and facing important challenges from the Chicago exchanges over round-the-clock electronic trading systems.

# Sanko receives 97% debt exemption

THE RECEIVERS of Sanko Steamship, the Japanese tanker operator, under court protection from its creditors, have thrashed out a restructuring plan that will exempt over 90 per cent of debt repayments, Reuter reports.

The highlight of the plan, to be filed towards the end of July, is exemption of 97.72 per cent of Y695.8bn ($5.3bn) owed by Sanko and three other affiliates. Debt repayments will be spread over 18 years, starting next year.

Sanko's Y68.4bn capital is to be written off and then raised to some Y10bn through a debt-to-equity swap of Y9.3bn and a share issue.

Sanko, once the world's largest tanker operator in fleet size, filed for permission to restructure under Japan's bankruptcy laws in August 1985. The company plans to maintain its existing fleet.

It targets current profit of Y3.2bn on turnover of Y80bn every year from 1990, when it expects approval for its restructuring plan.

## LONDON MARKET STATISTICS

### FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

| EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Mon Apr 10 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%) | Est. P/E Ratio (Net) | xd adj. 1989 to date | Fri Apr 7 Index No. | Thu Apr 6 Index No. | Wed Apr 5 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 CAPITAL GOODS (207) | 915.27 | −1.3 | 10.74 | 4.12 | 11.44 | 7.22 | 926.87 | 932.19 | 945.73 | 755.43 |
| 2 Building Materials (29) | 1167.56 | −1.6 | 11.35 | 4.83 | 10.85 | 3.92 | 1186.59 | 1193.66 | 1216.30 | 1019.88 |
| 3 Contracting, Construction (38) | 1676.11 | −1.5 | 12.43 | 3.94 | 10.53 | 14.65 | 1701.85 | 1722.97 | 1739.34 | 1576.53 |
| 4 Electricals (10) | 2692.42 | −0.9 | 8.37 | 4.45 | 14.70 | 2.99 | 2716.49 | 2718.71 | 2741.56 | 1994.97 |
| 5 Electronics (30) | 2032.03 | −1.4 | 9.29 | 3.29 | 13.96 | 12.62 | 2061.53 | 2064.77 | 2107.54 | 1585.19 |
| 6 Mechanical Engineering (54) | 495.71 | −1.2 | 10.48 | 4.08 | 11.67 | 4.94 | 501.59 | 506.68 | 511.29 | 392.50 |
| 8 Metals and Metal Forming (7) | 529.29 | −0.7 | 14.50 | 5.63 | 7.80 | 0.00 | 533.29 | 535.49 | 532.07 | 451.82 |
| 9 Motors (17) | 302.00 | −0.9 | 12.10 | 4.96 | 9.59 | 4.85 | 304.73 | 307.24 | 309.75 | 272.74 |
| 10 Other Industrial Materials (22) | 1510.25 | −1.0 | 9.73 | 4.46 | 12.22 | 21.63 | 1525.95 | 1531.17 | 1564.59 | 1265.75 |
| 21 CONSUMER GROUP (186) | 1149.90 | −0.6 | 9.22 | 3.78 | 13.57 | 5.74 | 1157.27 | 1162.52 | 1173.82 | 1057.16 |
| 22 Brewers and Distillers (22) | 1251.10 | −1.1 | 10.34 | 3.66 | 12.23 | 5.36 | 1264.40 | 1263.51 | 1270.52 | 1080.76 |
| 25 Food Manufacturing (20) | 999.28 | −0.7 | 9.55 | 4.07 | 13.06 | 10.15 | 1005.92 | 1010.42 | 1020.29 | 828.86 |
| 26 Food Retailing (15) | 1989.73 | −0.4 | 9.13 | 3.53 | 14.42 | 8.97 | 1998.44 | 2006.34 | 2029.61 | 2100.23 |
| 27 Health and Household (14) | 2207.46 | +0.7 | 6.47 | 2.64 | 17.67 | 7.33 | 2192.62 | 2200.10 | 2222.34 | 1840.41 |
| 29 Leisure (33) | 1562.99 | −1.5 | 7.73 | 3.43 | 16.26 | 15.42 | 1586.78 | 1597.89 | 1612.32 | 1287.79 |
| 31 Packaging & Paper (16) | 559.93 | −1.5 | 10.53 | 4.29 | 11.60 | 5.04 | 568.41 | 574.66 | 579.80 | 485.86 |
| 32 Publishing & Printing (18) | 3557.26 | −1.0 | 9.85 | 4.55 | 13.86 | 5.66 | 3591.77 | 3618.80 | 3646.27 | 3382.64 |
| 34 Stores (33) | 739.15 | −1.1 | 11.77 | 4.74 | 11.13 | 1.75 | 747.80 | 751.38 | 762.21 | 834.09 |
| 35 Textiles (15) | 504.63 | −0.3 | 12.30 | 5.59 | 9.87 | 0.38 | 506.18 | 513.02 | 516.80 | 568.90 |
| 40 OTHER GROUPS (94) | 1041.43 | −1.2 | 10.39 | 4.33 | 11.74 | 8.37 | 1054.61 | 1060.88 | 1074.70 | 886.64 |
| 41 Agencies (18) | 1251.79 | — | 8.51 | 2.71 | 15.03 | 12.34 | 1252.04 | 1255.02 | 1265.74 | 1186.04 |
| 42 Chemicals (22) | 1193.24 | −0.4 | 11.18 | 4.93 | 10.74 | 21.18 | 1198.13 | 1207.00 | 1217.09 | 1013.55 |
| 43 Conglomerates (11) | 1469.11 | −0.8 | 10.40 | 4.98 | 11.12 | 4.76 | 1481.59 | 1494.72 | 1523.54 | 1184.56 |
| 45 Transport (13) | 2331.42 | −0.7 | 8.54 | 3.70 | 15.04 | 16.45 | 2347.10 | 2367.91 | 2389.57 | 1919.04 |
| 47 Telephone Networks (2) | 1081.73 | −2.6 | 10.85 | 4.34 | 11.90 | 0.00 | 1110.65 | 1100.58 | 1127.08 | 976.50 |
| 48 Miscellaneous (28) | 1434.45 | −1.3 | 10.90 | 4.12 | 10.44 | 21.18 | 1453.54 | 1471.70 | 1486.83 | 1143.71 |
| 49 INDUSTRIAL GROUP (487) | 1079.05 | −1.0 | 9.98 | 4.05 | 12.38 | 7.19 | 1089.72 | 1095.46 | 1108.61 | 943.28 |
| 51 Oil & Gas (13) | 1929.04 | −0.7 | 10.26 | 5.76 | 12.50 | 40.19 | 1942.89 | 1945.97 | 1973.93 | 1872.17 |
| 59 500 SHARE INDEX (500) | 1151.34 | −0.9 | 10.01 | 4.25 | 12.40 | 9.85 | 1162.26 | 1167.84 | 1182.21 | 1021.46 |
| 61 FINANCIAL GROUP (123) | 726.53 | −1.0 | — | 5.24 | — | 12.54 | 733.58 | 737.22 | 742.56 | 662.65 |
| 62 Banks (8) | 716.77 | −0.7 | 23.79 | 6.63 | 5.33 | 20.35 | 722.01 | 725.03 | 729.56 | 625.23 |
| 65 Insurance (Life) (8) | 1044.68 | −1.6 | — | 5.64 | — | 25.72 | 1061.57 | 1068.75 | 1083.06 | 965.17 |
| 66 Insurance (Composite) (7) | 585.10 | −1.2 | — | 5.75 | — | 30.03 | 592.49 | 592.98 | 597.79 | 536.74 |
| 67 Insurance (Brokers) (7) | 928.14 | −1.6 | 9.10 | 6.00 | 14.66 | 16.30 | 943.10 | 947.00 | 951.50 | 850.39 |
| 68 Merchant Banks (11) | 326.86 | −1.4 | — | 4.59 | — | 3.61 | 331.63 | 332.06 | 332.32 | 339.95 |
| 69 Property (52) | 1285.69 | −0.7 | 5.81 | 2.71 | 21.09 | 4.14 | 1294.29 | 1303.83 | 1316.07 | 1133.61 |
| 70 Other Financial (30) | 362.29 | −0.9 | 9.99 | 5.79 | 12.58 | 3.56 | 365.47 | 368.65 | 367.86 | 391.39 |
| 71 Investment Trusts (73) | 1078.52 | −0.5 | — | 2.91 | — | 6.82 | 1083.57 | 1086.44 | 1093.07 | 878.35 |
| 81 Mining Finance (2) | 656.40 | −2.7 | 8.83 | 3.88 | 12.51 | 10.45 | 674.80 | 673.80 | 672.80 | 463.92 |
| 91 Overseas Traders (8) | 1367.58 | −0.8 | 8.99 | 4.89 | 13.60 | 15.93 | 1378.27 | 1373.75 | 1383.35 | 1026.58 |
| 99 ALL-SHARE INDEX (706) | 1048.43 | −1.0 | — | 4.35 | — | 10.42 | 1058.56 | 1063.38 | 1075.13 | 926.39 |

| | Index No. | Day's Change | Day's High(a) | Day's Low (b) | Apr 7 | Apr 6 | Apr 5 | Apr 4 | Apr 3 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX◆ | 2025.0 | −20.7 | 2046.9 | 2014.9 | 2045.7 | 2052.5 | 2078.2 | 2082.8 | 2079.6 | 1810.5 |

### FIXED INTEREST

| PRICE INDICES | Mon Apr 10 | Day's change % | Fri Apr 7 | xd adj. today | xd adj. 1989 to date |
|---|---|---|---|---|---|
| **British Government** | | | | | |
| 1 5 years | 117.38 | −0.03 | 117.46 | 0.05 | 3.66 |
| 2 5-15 years | 133.19 | +0.05 | 133.60 | 0.47 | 3.36 |
| 3 Over 15 years | 143.97 | +0.23 | 143.97 | 0.33 | 4.89 |
| 4 Irredeemables | 168.34 | −0.09 | 168.49 | — | 1.51 |
| 5 All stocks | 130.73 | +0.04 | 130.98 | 0.31 | 3.68 |
| **Index-Linked** | | | | | |
| 6 5 years | 132.74 | +0.24 | 132.42 | — | 1.36 |
| 7 Over 5 years | 132.70 | +0.07 | 132.65 | 0.04 | 0.99 |
| 8 All stocks | 132.59 | +0.08 | 132.52 | 0.04 | 0.99 |
| 9 Debentures & Loans | 114.99 | −0.35 | 115.40 | — | 2.20 |
| 10 Preference | 88.74 | +0.07 | 88.67 | — | 1.83 |

| AVERAGE GROSS REDEMPTION YIELDS | | Mon Apr 10 | Fri Apr 7 | Year ago (approx.) |
|---|---|---|---|---|
| **British Government** | | | | |
| 1 Low Coupons | 5 years | 9.68 | 9.69 | 8.47 |
| 2 | 15 years | 9.30 | 9.30 | 8.97 |
| 3 | 25 years | 9.17 | 9.16 | 8.89 |
| 4 Medium Coupons | 5 years | 10.75 | 10.74 | 8.87 |
| 5 | 15 years | 9.73 | 9.74 | 9.18 |
| 6 | 25 years | 9.32 | 9.34 | 9.09 |
| 7 High Coupons | 5 years | 10.87 | 10.86 | 8.96 |
| 8 | 15 years | 9.95 | 9.97 | 9.33 |
| 9 | 25 years | 9.50 | 9.51 | 9.12 |
| 10 Irredeemables | | 9.21 | 9.20 | 8.74 |
| **Index-Linked** | | | | |
| 11 Inflation rate 5% | 5yrs. | 3.61 | 3.69 | 2.22 |
| 12 Inflation rate 5% | Over 5 yrs. | 3.59 | 3.60 | 3.72 |
| 13 Inflation rate 10% | 5 yrs. | 2.74 | 2.81 | 1.34 |
| 14 Inflation rate 10% | Over 5 yrs. | 3.43 | 3.43 | 3.56 |
| 15 Debs & Loans | 5 years | 12.22 | 12.14 | 10.71 |
| 16 | 15 years | 11.70 | 11.63 | 10.52 |
| 17 | 25 years | 11.19 | 11.11 | 10.52 |
| 18 Preference | | 10.12 | 10.11 | 10.12 |

◆Opening index 2046.9; 10 am 2043.2; 11 am 2026.2; Noon 2017.3; 1 pm 2019.7; 2 pm 2022.0; 3 pm 2024.3; 4 pm 2023.0; 4.05 pm 2023.2 (a) 9.00am (b) 11.42am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 43 | 39 | 27 |
| Corporations, Dominion and Foreign Bonds | 8 | 12 | 24 |
| Industrials | 203 | 644 | 730 |
| Financial and Properties | 79 | 273 | 307 |
| Oils | 18 | 35 | 45 |
| Plantations | 0 | 1 | 11 |
| Mines | 26 | 51 | 106 |
| Others | 90 | 48 | 101 |
| Totals | 467 | 1,103 | 1,351 |

### LONDON RECENT ISSUES

EQUITIES

| Issue Price p | Amount Paid up | Latest Renunc. date | 1989 High | 1989 Low | Stock | Closing Price p | +or- | Net Div. | Times Cov'd | Gross Yield | P.E. Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| §57 | F.P. | - | 71 | 60 | ♦Amberley Group 2½p | 66 | | b1.5 | 3.4 | 3.0 | 12.1 |
| §155 | F.P. | 6/4 | 171 | 155 | Assoc. British Cnslts 20p | 162 | +1 | ₲5.25 | 2.7 | 4.34 | 10.0 |
| † | F.P. | - | 35 | 31 | ♦CCS Group 20p | 32 | | L0.45 | 1.6 | 1.9 | 45.4 |
| §50 | F.P. | - | 49 | 47 | CST Emerging Asia Tst 10p | 48 | | - | - | - | - |
| - | F.P. | - | 19 | 8 | Do. Warrants | 17 | | - | - | - | - |
| §135 | F.P. | 28/4 | 143 | 138 | Davenport Vernon 10p | 138 | -2 | u5.25 | 2.4 | 5.1 | 8.3 |
| - | F.P. | - | 61 | 33 | Greenfriar Invs Wrrts | 61 | | - | - | - | - |
| † | F.P. | - | 100 | 70 | *Hoskins Brewery 50p | 85 | | - | - | - | - |
| §47 | F.P. | - | 49 | 40 | *Malaya Group 10p | 45 | -1 | b2.0 | 3.7 | 5.9 | 6.1 |
| [illegible] | | | | | | | | | | | |

### FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. date | 1989 High | 1989 Low | Stock | Closing Price £ | +or- |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

### RIGHTS OFFERS

| Issue Price p | Amount Paid up | Latest Renunc. date | 1989 High | 1989 Low | Stock | Closing Price p | +or- |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |
| 550 | Nil | - | 73pm | 65pm | Western Motor | 65pm | |
| 47 | Nil | 5/5 | 23pm | 15pm | Worthington (A.J.) 10p | 15pm | -1 |

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♥ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ‡‡ Reintroduction. ◆ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ₲ Unlisted securities market. ◆ Official London listing. □ Including warrants entitlement. * Third Market.

### TRADITIONAL OPTIONS

- First Dealings Apr 10
- Last Dealings Apr 21
- Last Declarations Jul 13
- For settlement Jul 24

*For rate indications see end of London Share Service*

Calls in Coalite, J Williams, London & Associated IT, Tusker Resources, Medirace, ICH, Floyd Energy, Dixons, Flagstone, Brent Walker, Waterford, IMTEC, Top Value, IOM Steam Packet, Gateway, Wellman, Eagle Trust, Burns Anderson and Bula Resources. A double in Storehouse.

### LONDON TRADED OPTIONS

DEALINGS in the FT-SE 100 Index continued to reassert themselves in the London Traded Options Market yesterday, after a lean spell ahead of the end of the financial and tax years — attracting 12,743 contracts, some one-third of overall turnover of 39,106 contracts.

British Steel and British Petroleum, which the Government has recently put into private hands, were the most heavily traded stocks on the options market, but the market was remarkable for there being relatively little business in stocks like Consolidated Gold Fields and Rolls-Royce, in spite of their being involved in bid talks of one kind or another.

The revised offer by Minorco attracted some attention to Consolidated Gold Fields, but nothing like that which preceded its first offer of last September. The dealings in it lay in few puts, no more than 144, though there was opening of interest of 100 contracts, to 352, in the April 1300 series on the put side. On the call side there was more activity, with 1,439 contracts traded, representing a closing of interest of 306 contracts to 7,758, on the early count with the main activity seen in the April 1400s, in which there was dealings of 807 contracts, and a closing of position of 292 contracts to 741 exerciseable contracts. The underlying price of the stock, rose, even so, by 5p on the day to 1,340.

Rolls-Royce's agreed bid for Northern Engineering Industries, raising talk of possible counter-bids, left the underlying share price of Rolls-Royce down 4p on the day at 179p. Turnover on the options market in the stock reached no more than 518 calls and 50 puts, with some opening of interest in the June 180 and 200s and September 180s.

British Steel saw 3,494 contracts handled, consisting of 2,874 calls and 620 puts, and British Petroleum 2,360, comprising 558 calls and 1,722 puts.

Dealings in the index came to 12,743 contracts, lying in 8,065 calls and 4,678 puts. GEC and United Biscuits also attracted attention.

| Option | | Calls Apr | Calls Jul | Calls Oct | Puts Apr | Puts Jul | Puts Oct |
|---|---|---|---|---|---|---|---|
| Allied Lyons (*437) | 420 | 18 | 34 | 47 | ½ | 12 | 15½ |
| | 460 | 1 | 15 | 27 | 24 | 34 | 37 |
| [illegible] | | | | | | | |

| Option | | Calls Apr | Calls Jul | Calls Oct | Puts Apr | Puts Jul | Puts Oct |
|---|---|---|---|---|---|---|---|
| Storehouse (*167) | 160 | 8 | 17 | 22 | 1 | 8½ | 12 |
| | 180 | 1 | 10 | 13 | 14 | 23 | 25 |
| [illegible] | | | | | | | |

| Option | | Calls May | Calls Aug | Calls Nov | Puts May | Puts Aug | Puts Nov |
|---|---|---|---|---|---|---|---|
| Racal (*376) | 330 | 52 | 58 | 77 | 2 | 8 | 12 |
| | 360 | 29 | 42 | 54 | 6 | 19 | 19 |
| | 390 | 10 | 24 | 42 | 21 | 32 | 36 |
| [illegible] | | | | | | | |

FT-SE INDEX (*2023)

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

April 10. Total Contracts 39,106 Calls 25,548 Puts 13,560 FT-SE Index Calls 8065 Puts 4678 *Underlying security price.

# UK COMPANY NEWS

### Investigators hit out strongly at 'management inadequacies'

## Crystal losses cut Waterford profit

**By Richard Tomkins, Midlands Correspondent**

INVESTIGATORS probing accounting errors at Waterford Glass, the troubled tableware group which owns the Wedgwood china company, have produced a powerful indictment of management inadequacies within the group.

The investigators' conclusions were published with Waterford's preliminary results for 1988 showing that operating losses of I£20.5m (£17.2m) in the Irish crystal division almost wiped out the group's pre-tax profits, leaving just I£2.7m on turnover of I£304.4m.

Net debt climbed by I£25m to I£109.5m, exceeding shareholders' funds of I£102.9m, and there is to be no final dividend, leaving a total for the year of 1.2p.

Peat Marwick McLintock, the accountancy firm, was brought in by Waterford in January after it became clear that a radical restructuring of the crystal division carried out late in 1987 had not proved to be the success that the 1988 interim figures had suggested.

Peat Marwick's report says the board was correct to embark on the restructuring because the crystal division's high labour costs had become unsustainable in the face of the weakening dollar.

However, the projections on which the plan was based "significantly underestimated the potential cost and the time required for the benefits of the new technology and reduced labour force to be reflected in the operating results."

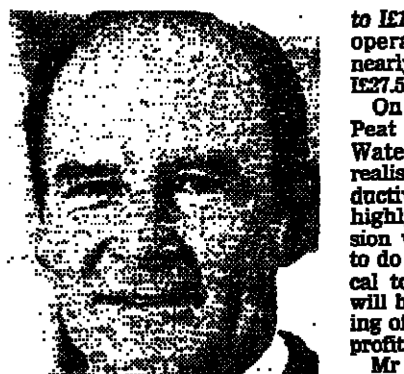
There were also "significant shortcomings in the subsequent management and control of the plan," the report says: so when progress fell short of the budgeted level, stocks were over-valued and costs deferred "with the result that misleading information was presented to the board."

Peat Marwick's report, which has been with Waterford's board for some days, led to the resignation at the weekend of Mr Paddy Hayes, Waterford's chairman and chief executive, who said he accepted full responsibility for the errors. Two other directors resigned when the mistakes were first uncovered.

The investigation has resulted in a drastic restatement of the crystal division's first-half figures. Instead of showing the modest operating profit of I£1.2m that was supposed to mark the first stage in the division's recovery, it now shows an operating loss of I£12.3m.

Similarly, the group's interim pre-tax profit of I£2.5m has been now restated to show a loss of I£4.9m.

One bright spot in the figures is that the restatement leaves crystal on an improving



Paddy Byrne: securing an agreement with the workforce a top priority

trend, with second half operating losses reducing to I£8.2m. (The loss was I£20.8m in the second half of 1987). In addition, sales of crystal rose strongly during the year, from I£176.4m to I£93.7m.

Wedgwood sales were also strongly ahead, from I£169.4m to I£190.4m, and this division's operating profits rose by nearly 10 per cent to a record I£27.5m (I£25.1m).

On a darker note, however, Peat Marwick observes that Waterford has yet to reach realistic long-term pay and productivity agreements with the highly-unionised crystal division workforce, and its ability to do so "will not only be critical to Waterford's future, but will be a key factor in the timing of the operation's return to profitability."

Mr Paddy Byrne, the Wedgwood chief executive who succeeds Mr Hayes as group chief executive, said yesterday that securing an agreement with the workforce would be a top priority now that the uncertainty created by the investigation was out of the way.

Waterford also announced yesterday that it was changing its name to Waterford Wedgwood in recognition of the importance of the china company's contribution. It took Wedgwood over in 1986.

See Lex

### DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Accord Pubs § | fin | 2.6 | June 1 | 2.6 | 3.4 | 3.4 |
| Asda Property | fin | 1 | July 3 | 1 | 1.5 | 1 |
| Breedon | fin | 2.5 | May 26 | 2.175* | 3.75* | 3.175* |
| Chepstow | fin | 1 | - | 1 | 1 | 1 |
| Computer People | fin | 3.4† | June 16 | 2.4 | 4.85p | 3.6 |
| Dewhirst (IJ) | fin | 0.8 | July 1 | 0.69 | 1.07 | 0.93 |
| Durham (DG) § | fin | 1 | May 18 | nil | 1 | nil |
| Highland Dist | int | 0.95 | June 5 | 0.765 | - | 2.82 |
| Home Count News | int | 8.25 | May 19 | 5 | 12 | 7.5 |
| Inchcape | fin | 6.5 | Jul 1 | 4.625 | 9.25 | 6.75 |
| ISA Intl | fin | 0.95 | - | 0.27 | 1.4 | 0.27 |
| Lamont | fin | 6.75 | July 3 | 5 | 9.5 | 7 |
| Lancs | fin | 1.1 | June 12 | 1.1 | 1.85 | 1.1 |
| LIT Holdings | fin | 2.93†☆ | July 7 | 4.8 | 5.63 | 7.5 |
| Mowlem (John) | fin | 14.25 | - | 12.5 | 19.5 | 17.25 |
| Pergamon AGB | fin | 3 | July 3 | 3 | 4.5 | 4 |
| Proudfoot (Alex) | fin | 3.5 | - | 2.92 | 5.5 | 2.9 |
| Renaissance | fin | 2.1 | June 22 | 3.03 | 3.3† | 3.03 |
| Sema Group | fin | 1.44‡ | - | 1.44 | 1.44‡ | 2.16 |
| Waterford Glass | fin | nil | - | 1.68 | 1.2 | 2.88 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆For nine months. ‡For eight months.

## Highland Distilleries sees 38% advance to £10.1m

**By Lisa Wood**

HIGHLAND DISTILLERIES, maker of The Famous Grouse, Scotland's best-selling Scotch whisky, yesterday reported a pre-tax profit of £10.09m for the six months to February 28, a 38 per cent increase over the corresponding period.

Earnings per share were up 5.3p (3.8p) and the interim dividend is 0.95p (0.765p).

Highland's turnover was up at £74.49m (£71.33m). The profit figure was boosted by increased contributions from The Famous Grouse as well as a 38 per cent increase in the sale of new whiskies to blenders and improved margins on the mature whiskies it supplies to other distillers' blended whiskies.

Mr Brian Ivory, managing director, said increased profits came from higher sales volumes, price increases and reduced costs.

Exports for the first time made a profit.

He said that sales of The Famous Grouse in the UK were up by 5 per cent in volume against a market which was down by about 2 per cent. Prices in the period increased by more than 8 per cent and margins "firmed".

● **COMMENT**

Around one-fifth of Highland's profits come from supplying its top quality malt whiskies to other distillers to be used as "top dressings" in their brands. So, the recent upturn in the industry's exports is good for Highland which has just given the go-ahead for a small expansion in its distillery at Glen Rothes. Meanwhile sales of The Famous Grouse steam ahead in England and Highland Park and the other smaller volume malts gain more distribution in Scotland. Exports, after 16 years of spade work, look set to grow in profitability, particularly in the US and on the continent. Analysts upgraded their forecasts to around £19.3m which gives a prospective p/e of 18.

## DTI to look at trading in Mersey Docks shares

**By Ray Bashford**

THE MERSEY Docks and Harbour Company announced yesterday that the Department of Trade and Industry had appointed inspectors to investigate trading in the company's shares.

The inquiries are being carried out under Section 1 of the Companies (Insider Trading) Act 1985 and concentrate on trading in the company's shares during an unspecified period in 1987.

Mersey Docks and Harbour and the DTI declined to comment on the announcement.

The investigation is understood to centre on share trading during the run-up to the release on July 9 1987 of the company's plans for a £200m redevelopment of the Princes Dock area, close to Liverpool's Pier Head.

The company's share price rose sharply during the six weeks before the plan was unveiled.

## L&G finally accepts offer for GT holding

**By Nikki Tait**

Legal & General, the UK insurance company, has finally accepted the offer from Bank in Liechtenstein for GT Management, the UK-based fund management group.

L&G had made no secret of its unhappiness with the terms offered. Shortly after the recommended bid was announced – and despite the fact that BIL quickly gained control of its target – it raised its stake over the critical 10 per cent limit. A UK bidder requires 90 per cent of its target's shares, before it can compulsorily mop up the remainder.

L&G purchased shares at 180¼p - just beyond the cash alternative price of 180p offered by BIL.

Last night, however, BIL announced that it now controlled 97.86 per cent of GT. It said that options for the loan note alternative came in respect of 3.52 per cent of the shares, and in respect of 20.04 per cent for the bearer participation certificates. The loan note and bearer alternatives were closed on Friday, although the cash option remains open until further notice.

Yesterday, Hambro Magan, advising BIL, said that L&G had agreed to take the paper option in respect of a "meaningful" part of its total holding.

## Inchcape up 27% to £147.7m driven by the motor division

**By Vanessa Houlder**

A STRONG performance from its motor division powered a 27 per cent increase in the 1988 pre-tax profits of Inchcape, the international services and marketing group.

Pre-tax profits were raised from £116.2m to £147.7m, on turnover up from £2.04bn to £2.45bn.

The good performance from the motor division, which Mr George Turnbull, chairman and chief executive, described as "the jewel in Inchcape's crown" was offset by losses in the Australasian business machine division and reduced profits in the insurance business.

The losses from the Australasian business machine activities were expected to be halted this year as management changes and restructuring measures took effect.

The insurance services division, which saw operating profitsfall from £13.2m to £7.5m, was hit by a substantial fall in premium rates, and costs from redundancies and systems development.

Mr Turnbull said that its relationship with Toyota, Japan's largest motor manufacturer, would become increasingly valuable when it began to manufacture in Europe. Mr Turnbull said the full benefits of the plant, which he expected to be built in the UK, would come through in 1993.

Currency fluctuations reduced pre-tax profits by £3m compared to their value if last year's exchange rates had prevailed.

The breakdown of operating profits was as follows: buying services £3.1m (£2.2m); inspection and testing services £10.3m (£5.5m); insurance services £7.5m (£13.2m); shipping services £5.9m (£5.3m); business machines £1.4m loss (£0.8m); consumer and industrial £31.2m (£21.4m); motor vehicles £98.7m (£70.6m); agricultural and industrial £3.9m (£3.6m); wines and spirits £3.6m (£4.1m); tea £4.0m (£4.0m); timber £5.1m (£6.6m); other £5.5m (£9.0m).

The company has eliminated its share premium account and created a special reserve to write off some of its historic goodwill. This followed the Companies Bill's ban on the previous practice of writing off goodwill against revaluation reserves.

Earnings per share increased to 24.1p (18.4p). A 37 per cent increase in the year's dividend was proposed, pushing it up from 6.75p to 9.25p.

● **COMMENT**

This strong set of results and generous dividend increase bears witness to the success of the Turnbull team in imposing direction onto the shambling Inchcape empire. However the real test will be the progress of the group now that it has moved out of its recovery phase into a potentially harsher economic environment. In particular, the increased emphasis on the motor business may become problematic if there is greater pressure on consumer spending. However this worry is alleviated by the global spread, the move away from new car sales and the likely benefits of the Toyota manufacturing plant. Another source of uncertainty is acquisitions. Although the company has plenty of room for manoeuvre, analysts are still reserving judgement about Inchcape's acquisition skills, given the problems arising from its 1988 foray into the insurance trade. Profits of about £170m this year are expected, which puts the shares, down 4p to 253p, on a fairly valued p/e of about 9.

## Restructuring at Burger King

**By Karen Zagor in New York**

BURGER KING, the troubled fast food chain which joined the Grand Metropolitan stable when the UK company acquired Pillsbury at the end of last year, yesterday announced that it is to restructure its food procurement and distribution services.

The Miami-based company said that its Distron business, which handles the buying and distribution of food, will be split into two separate segments.

A newly formed Burger King System Supply Management team will handle all the purchasing of restaurant food and supplies at both national and local levels. Burger King Distribution Services, will be responsible for the delivery of food and supplies to restaurants.

Mr Ian Martin, Burger King chairman and chief executive of GrandMet's Food Sector said: "Before we acquired Pillsbury and Burger King, our external analysis of Distron indicated that it would be advisable to sell the division. However, now that we have acquired the company and performed our own in-depth analysis, we have concluded that a reorganised internal procurement and distribution system will be a tremendous asset to Burger King."

"This reorganisation is the latest step in our restructuring the entire Burger King operation to make the company more competitive and more focused on the customer," he added.

## Allied-Lyons offshoot to buy back franchise rights

**By Lisa Wood**

BASKIN-ROBBINS, the California-based ice cream operation owned by Allied-Lyons, the food and drinks group, is buying back, for an unspecified sum, the franchise rights to the brand in several US states from Dean Foods.

Dean Foods, a franchisee since 1963, will continue to manufacture and distribute products for the ice cream company for a specified period of time.

Baskin-Robbins said the acquisition was in keeping with the company's long-term strategic objective of unifying its franchising operations in all parts of the US, thereby gaining greater operational consistency.

Baskin-Robbins has 2,600 outlets in the US.

## Camford shares rise 22p as it buys Rover arm

**By John Thornhill**

Camford Engineering, the Stevenage-based motor components manufacturer, announced yesterday it had completed the acquisition of Rover Group's plastic motor components business in LLanelli.

The acquisition will be followed by the issue of 999,637 Camford shares – representing 5 per cent of the enlarged share capital of Camford – at 300p each. Its shares rose 22p to 261p yesterday.

Camford's manufacturing capacity will be substantially increased and the deal will also have the effect of increasing group net cash resources by £4.4m.

The Welsh Development Agency is supporting the investment by making 41 acres of property available for Camford's use under a 25-year sale and lease-back arrangement.

## SHARE STAKES

The following changes in company share stakes were announced recently:

**Abbott Mead Vickers** – Provident Mutual managed pension funds no longer has a notifiable interest in the ordinary shares.

**African Lakes Corporation** – Mr MHD Barlow and his immediate family hold 449,016 shares (8.05 per cent).

**Automagic Holdings** – Mr MB Strom, a director, has sold 4,600 ordinary at 110p each, reducing his beneficial holding to 2.52m (44.1 per cent).

**Avesco** – RA Murray, chairman, has given, for nil consideration, 88,495 ordinary to WH Fulton, group managing director, and a further 109,000 to several subsidiary company directors, thereby reducing the holding to 8.16m.

**Bespak** – Scottish Amicable Investment Managers has acquired 105,000 to bring its holding to 1.21m (9.07 per cent).

**Bett Brothers** – ICR Bett, chairman, has acquired 162,750 ordinary through a legacy for nil consideration, increasing the holding to 1.22m (8.13 per cent).

**Bostrum** – Equity Capital for Industry has sold 250,000 ordinary, reducing its holding to 1.45m (12.65 per cent). Also Fenchurch Nominees has sold 200,000 ordinary, reducing its holding to 1.5m (13.08 per cent).

**Bremner** – Mr Michael John Bracegirdle is beneficially interested in 705,200 shares (6 per cent).

**Bridport-Gundry** – Charterhall has increased its holding to 2.71m shares (27.09 per cent).

**Cambridge Electronic Industries** – Scottish Amicable Investment Managers now holds 2.41m ordinary (5.64 per cent).

**CLF Yeoman** – Mr Eric Heckett has acquired 832,231 ordinary stock units, lifting his holding to 13.97m (32.1 per cent). The name of the registered holder is Security Finance and the purchases were on behalf of a trust in which the Heckett family are beneficiaries.

**Explaura** – London Securities has disposed of 7.89m ordinary reducing its holding to 6.17m (6.03 per cent).

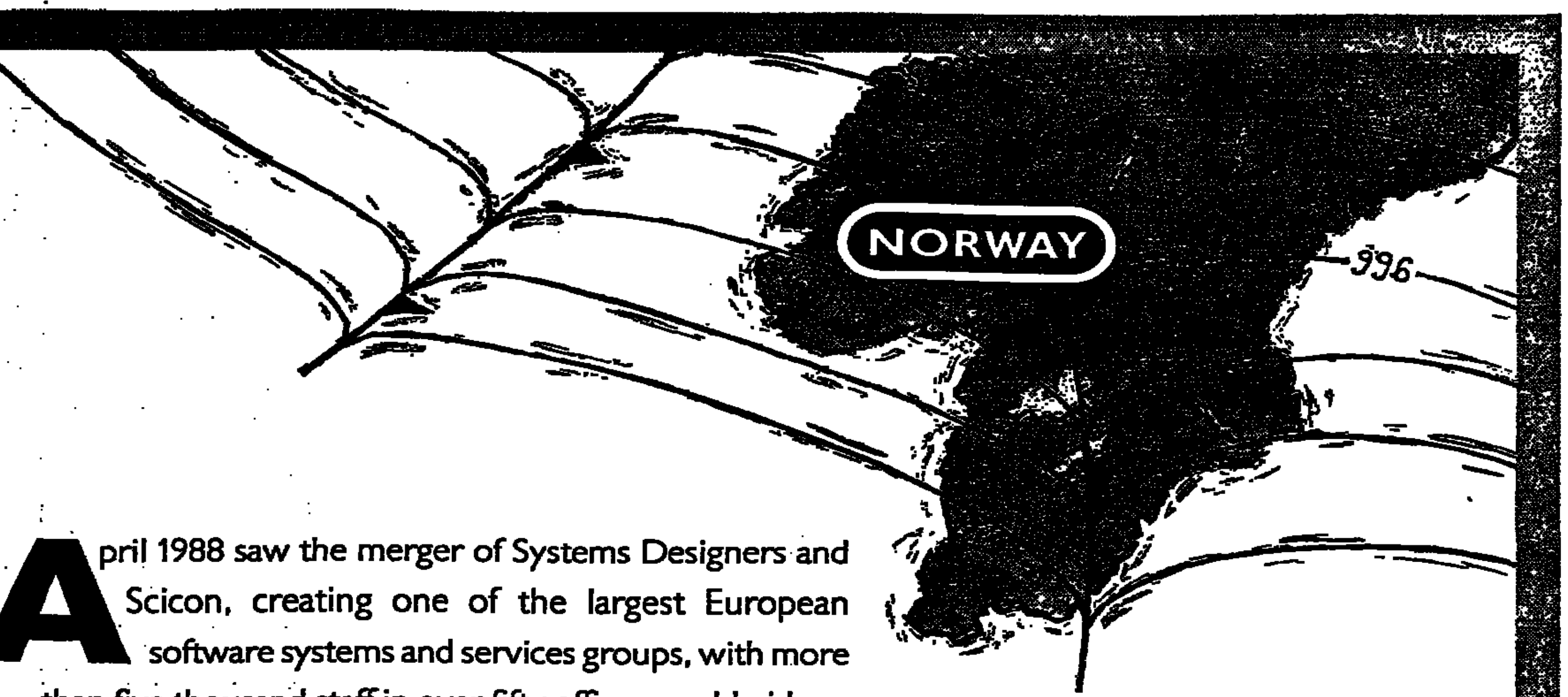
**Goodman Group** – Wickhams Cay Investments has sold 1.1m ordinary at 27.5p per share, reducing its holding to 4.4m. Trelida Investments has also reduced its holding, to 729,261, with the sale of 429,562 at 27.5p 14.19m (18 per cent).

**Habit Precision Engineering** – Jantar has purchased 960,000 ordinary (7.2 per cent), and CIN Industrial Investments has sold 300,000, reducing its holding to 600,000 (4.5 per cent).

**Hartwell** – Mr Abdul Latif Jameel has, through Crescombe, bought 250,000 ordinary, raising the holding to 14.19m (18 per cent).

**Ingham (George) & Company** – Margaret Howard has disposed of 4,501 ordinary at 113p per share, reducing her holding to 144,500 (7.225 per cent).

**Ivory & Sime** – Colguy Holdings has purchased 65,000 ordinary, lifting its holding to 1.9m (6.19 per cent).



*The contract for the Norwegian Meteorological Message Switch was the fifth national meteorological system recently won in Europe, reinforcing SD-Scicon's position as a leading European supplier.*

*RESPOND is the RAC's new Computerised Customer Support System. The first phase, run from our UK Data Centre, is just one of a number of facilities management contracts won in 1988.*

April 1988 saw the merger of Systems Designers and Scicon, creating one of the largest European software systems and services groups, with more than five thousand staff in over fifty offices worldwide.

Now, barely a year later, the combined strengths and complementary skills of our staff have been fully integrated, resulting in a major force in our industry.

Our operations span six major market sectors: communications, finance, energy, industry, defence and aerospace and civil government. Each sector is supported by leading-edge technology research in key areas.

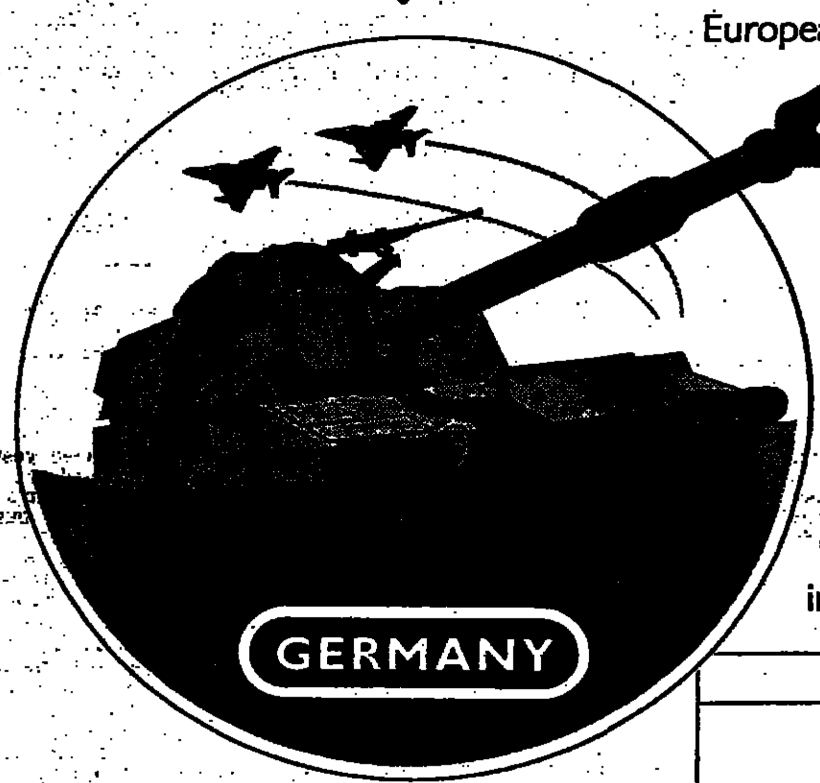
Last year nearly three quarters of our turnover came from Europe, with sales from our French and German companies contributing over half of this European total.

With the approach of the Single European Market in 1992, we are well placed to meet the challenge of servicing the needs of our present and future clients.

And in the USA our specialist companies servicing the financial and automotive sectors have maintained their strong market positions.

But whatever the areas of operations, our total commitment to quality of product, excellence of service and international strength underlines our strategy for the future.

*In partnership with Bull, the major French owned computer manufacturer, we are developing the reservation and administration systems for the new Opéra Bastille in Paris, to be inaugurated during this year's celebrations of the Bicentenary of the French Revolution.*



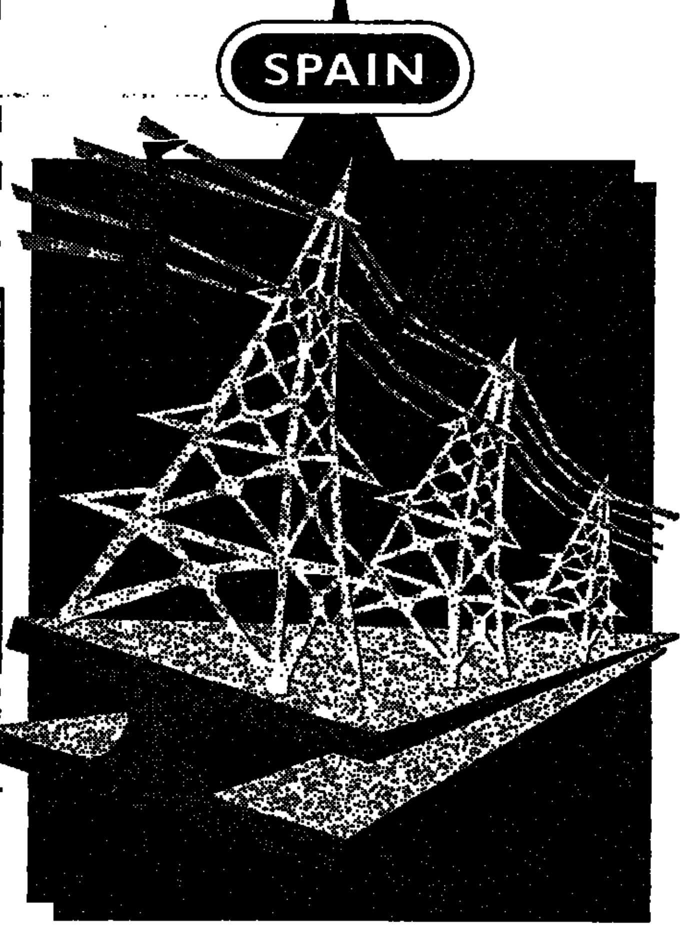
*Project JASMIN, a study of the German sub-system within NATO's Battlefield Information Collection and Exploitation System.*

**FINANCIAL HIGHLIGHTS**

| | 1988 £'000 | 1987 £'000 |
|---|---|---|
| Turnover | **221,565** | 83,644 |
| Operating Profit | **15,386** | 8,367 |
| Profit Before Tax | **13,354** | 7,363 |
| Earnings Per Ordinary Share | **4.01p** | 3.84p |
| Dividends Per Ordinary Share | **0.75p** | 0.65p |

Extract from the Accounts for the year ended 31st December 1988 which contain an unqualified audit report and which have not yet been filed with the Registrar of Companies. Earnings per share have been adjusted to take account of the rights issue in April 1988. The past is not necessarily a guide to the future.

Our 1988 Annual Report will be published in mid April. For a copy, please contact the Company Secretary, SD-Scicon plc, Centrum House, 101–103 Fleet Road, Fleet, Hampshire GU13 8NZ.



*In Spain, one of Europe's fastest growing industrial economies, we have established a strong position in capital plant maintenance systems with five contracts in 1988 in the steelmaking, oil and electricity industries.*

# It all adds up to a successful year.

SD SCICON

SD-SCICON PLC

*The contents of this advertisement, for which the directors of SD-Scicon plc are solely responsible, have been approved for the purposes of section 57 of the Financial Services Act 1986 by Ernst & Whinney, a firm authorised by The Institute of Chartered Accountants in England and Wales to carry out investment business.*

# Pergamon AGB starts £90m sales

By Andrew Hill

PERGAMON AGB, the much-altered descendant of the industrial group, Hollis, yesterday embarked on a programme of disposals which could raise over £90m.

The aim is to reduce year-end borrowings of about £100m at the company, now a market research and professional services group. Since December, the cost of closing down AGB's TV audience monitoring project in the US has pushed that figure up by a further £26m.

About 57 per cent of Pergamon AGB, which also announced increased pre-tax profits of £10.5m (£9.3m) for 1988, is owned by Mr Robert Maxwell's private vehicle, Pergamon Holdings.

The group's basic market research operation will provide the core of the business. Most of Pergamon AGB's professional and educational services operations are likely to go, but the recruitment division, which was only put together last autumn, will probably be retained.

Pergamon AGB will start by selling Metalliform, a furniture manufacturer, to its management for about £3.1m.

Last May, Hollis was transformed when it sold its engineering and merchanting interests to a management-led buy-out. The remainder of the group, renamed Pergamon Professional & Financial Services, became Pergamon AGB in October when it bought AGB Research for £134.2m.

The group said AGB had made a valuable contribution to the results in the fourth quarter. Professional services represented nearly 61 per cent (38 per cent) of group turnover, which rose from £219m to £221m in 1988.

Earnings per share were 8.6p (8p), after a tax rate of just 6 per cent, and a final dividend of 3p was recommended, making 4.5p (4p) for the year.

Pergamon AGB holds an option over 42 per cent of the equity in Hollis Industries, the new private company which bought Hollis.

But as a result of trading difficulties and disposals at Hollis, Pergamon AGB has written down its investment in the company by £15m. A further £4m was provided to release the market research group from its liabilities towards Hollis, reducing the extraordinary profit on the sale from £76.3m to £57.3m.

Robert Maxwell – Pergamon strategy is similar to others

● COMMENT

The strategy at Pergamon AGB looks very similar to programmes under way in debt-ridden parts of the rest of the Maxwell empire. Worrying as the connection may be to some investors, there seems little doubt that the quality of earnings at the slimmed-down group will be much improved. For AGB, the core quality business, last year was one for fighting – with AC Nielsen in the US, over TV market research – and being fought over – by Mr Maxwell and MAI, the advertising group. This year is bound to be quieter, with about £20m earmarked for cautious upgrading of AGB's worldwide market research network. On that basis – and forecast profits of about £12m before tax – the shares, down 6p to 68p, could be attractive in the long term on a prospective p/e of about 10. That assumes, of course, that a company which has had three different names and three different core activities (engineering, professional services and market research) within a year, has finally made up its mind.

# UK and Netherlands shortfalls hit Sema

By John Ridding in London and George Graham in Paris

SEMA GROUP, the Franco-British computer services company created by the merger in June 1988 of Sema-Metra and CAP Group, saw profits plunge last year by 25 per cent as management failures caused shortfalls in its UK and Netherlands operations.

Pro forma taxable profits fell from £17.1m in 1987 to £12.2m, on turnover up from £244.3m to £265.9m. Earnings per share declined from 13.2p to 8.4p. Profits for the eight months to December 31, which were reported to bring the two companies' accounting periods into line, were £2.6m on sales of £161.6m.

Mr Pierre Bonelli, managing director since the resignation in December of Mr Mike Smith, said that the results of the merger had "clearly not been as good as anticipated."

He said that the shortfall was principally the result of the poor performance in the group's UK and Dutch operations. In the UK, pre-tax profits fell from almost £7m in 1987 to £479,000 reflecting overly aggressive bidding for contracts, decentralisation of management and the undertaking of a number of risky projects.

There were also significant costs associated with reorganising the underperforming areas. However, Mr John Chisholm, UK chief executive, said that cost-cutting measures already implemented had reduced overheads by £2.6m, and that new order inflow had now once again risen above billings.

Mr Bonelli said that despite these disappointments, the majority of the group's operations experienced steady profit growth.

In France, pre-tax profits rose by almost 30 per cent to FFr 131m (£12m) with both the business and technical systems divisions performing strongly. Sema's West German and newly-expanded Spanish divisions also performed well.

Sema said the UK operations, which made losses in the second half, would return to profitability in the first half of this year although a full recovery will not be made until the second half.

Mr Bonelli said business prospects in France and Spain were excellent. The directors are proposing a dividend of 1.44p for the eight-month period, the same as the final dividend for the year to April 30 1988.

● COMMENT

Mr Bonelli, quoting Baudelaire, said that "history only goes ahead through big misunderstandings". The merger, with a £7m shortfall in CAP's expected contribution, was certainly that. But if 1988 was a year of unpleasant surprises, 1989 should be one of recovery. While trading improvements will take a while to become evident in the UK, the cost cutting and management restructuring will provide a more immediate boost. On the continent – increasingly the group's business base – another year of strong growth should be recorded in both France and Spain. More broadly, Sema, with its focus on systems and facilities management should be protected from the weakness affecting certain areas of the software market. Overall, a pre-tax target of £18.5m should not be too high. But the multiple of 23 which this implies almost certainly is. Although Cap Gemini Sogeti, its potentially hostile rival, holds 20 per cent of the shares, bid prospects are reduced by the fact that the more supportive Paribas, CIN and Credit Agricole control 49.5 per cent. Moreover, investors will be justifiably chastened by last year's reversals.

# Dewhirst climbs 14% despite competitive clothing industry

By Alice Rawsthorn

DESPITE the competitive state of the clothing industry, I.J. Dewhirst Holdings increased pre-tax profits by 14 per cent from £6.5m to £7.41m and sales by 17 per cent from £80.26m to £94.25m in its last financial year.

Dewhirst, which is one of the biggest suppliers of clothing and toiletries to the Marks and Spencer retail group, saw its share price rise by ½p to 44½p on the announcement yesterday.

In the last year or so the state of trading within the UK clothing market has become increasingly difficult because of the impact of increasing imports fuelled by the strength of sterling – and erratic consumer demand.

Dewhirst encountered problems in clothing in the first half of the year because of sluggish retail sales and a temporary increase in stocks, following the introduction of M and S's new computerised distribution system.

The pattern of trading recovered as the year progressed. Dewhirst's profit margins slipped slightly during the year. However it managed to end the year with a lower stock level, despite the increase in the summer.

Operating profits rose to £7.25m (£6.24m) and Dewhirst derived £147,000 from related interests in the year to January 13. Its investment income dropped to £15,000 (£266,000). This was due to the cost of financing the temporary rise in stocks and of investing £1.8m in the formation of a South East Asian sourcing operation as a joint venture with Elders of Australia.

Earnings per share increased to 4.97p (4.48p). The board proposes to pay a final dividend of 0.8p making a total of 1.07p (0.98p).

Dewhirst has traditionally specialised in tailored men's wear, but in recent years it has expanded its women's wear interests. Women's wear grew last year to provide about 8 per cent of sales. The traditional men's suit business fared well, as did the uniform interests. Although the shirt company suffered static sales.

The group has also expanded its interests in toiletries by manufacturing toiletry products and bags for retailers such as M and S, Boots and Superdrug. This division, which was set up six years ago, provided 20 per cent of sales last year.

The competitive conditions which affected the clothing industry in 1988 have continued in the opening months of 1989. The board says that so far this year sales have shown only modest growth over the same period in the previous year. Nevertheless the board is confident that profits will increase year on year.

# Peter Black bids for Lambert

By John Thornhill

PETER BLACK, the Yorkshire-based consumer goods manufacturer and distributor, yesterday launched a takeover bid for Lambert Howarth Group. The cash-and-shares terms value the footware and luggage group, which last month reported a loss for 1988, at £9.3m.

Lambert Howarth rejected the offer, describing it as unsolicited and unwelcome. Peter Black is offering one share and 320p in cash for every three Lambert Howarth shares. This values each Lambert Howarth share at about 165p, compared with yesterday's market price of 173p, up 23p. Peter Black's share price remained unchanged at 175p.

As recently as last Wednesday, Lambert's share price stood at 122p but it rose rapidly when it was announced that Futura Holdings, a footware and rubber compounds manufacturer run by Mr Beverley Oates, a Manchester businessman, had bought a 5.66 per cent stake. Yesterday, Futura declined to comment on its holding in Lambert or its reaction to Peter Black's bid.

Mr Gordon Black, joint chairman of Peter Black, yesterday said: "We know Lambert Howarth extremely well and we think it is a fair price; it is a 35 per cent premium over their share price last week and above their asset value."

The two companies overlapped in many areas and there would be considerable benefits from economies of scale, rationalisation of design and pre-production costs and focusing of sales and marketing efforts, he said.

Mr Martin Jourdan, Lambert chairman, said the offer was nowhere near a reflection of the value of the company. In particular, he pointed out that the value of its freehold and leasehold lands and buildings, especially the property in York Way, London, was in excess of net book value.

In the last year, Lambert Howarth has been badly hit by highly competitive conditions in the UK footwear market. Cheap imports and difficulties in launching the new Hitz range of sports shoes led to Lambert incurring a £615,000 loss in 1988 against a £2.12m profit previously, on turnover of £44.32m (£41.97m).

Last autumn, Mr Alan Linton resigned as chief executive and his responsibilities were taken over by Mr Bernard Etches, deputy chairman, and Mr Jourdan, who is also chairman of Cornwell Parker, the fabrics and furniture group.

Full acceptance of the offer would involve the issue of 1.88m Peter Black shares which would represent about 3.6 per cent of its enlarged share capital.

# ISA advances 81% and this year starts well

ISA International, the distributor of branded consumables for information processing equipment, followed up its 87 per cent rise at the interim stage with an 81 per cent increase in pre-tax profits at the year-end.

For the year to December 31, the company's taxable result was £2.45m, compared with £1.35m last time. In the first six months profits had jumped to £1.05m.

Turnover in the year advanced 55 per cent to £26.31m (£16.98m) and earnings were up 56 per cent to 7.9p (5.05p).

The directors have recommended a final dividend of 0.95p to make a total of 1.4p (0.27p) and have proposed a one-for-two scrip issue for May.

Mr John Parkinson, chairman, said that ISA had started 1989 well and was exceeding its budgets. Prospects for continued organic growth were excellent with the expansion of the customer base and the range of products, he said.

# Durham Group reduces loss

A SUBSTANTIAL pick-up in the second half enabled D G Durham Group to cut its loss to £202,000 by the end of 1988. In the light of the result and prospects, the group is returning to dividends with a payment of 1p.

For the whole of 1987 the group incurred a loss of £864,000, and that had grown to £917,000 for the six months ended June 30 1988. The dividend was passed in 1987.

Mr Richard Read, chairman of the USM-quoted insurance broker, said the loss-making companies in the Derek Bryant group were no longer part of Durham.

And with the acquisition of NCV Group, the profits from the continuing businesses indicated that current trading within the newly-restructured group was proceeding satisfactorily.

Now that the structural changes had been made, the chairman looked forward to strong organic growth.

Restructuring had been expensive, Mr Read pointed out. An extraordinary charge of £1.62m (£155,000) covered provisions and other merger expenses, including a substantial amount in respect of the lease of the former head office of Derek Bryant.

Loss per share was 3.7p (11.1p) after goodwill amortisation. Attributable loss for the year came to £2.17m, compared with £1.56m.

# Accord downturn to £451,000

IN A year of major reorganisation and change, Accord Publications saw pre-tax profits fall from £954,000 to £451,000. However, the dividend is held at 3.4p via a 2.6p final.

Practical reorganisation was completed by the half year end, but the results were affected throughout 1988 and benefits did not really come through. However, the halftime loss of £255,000 was wiped out.

The group, USM-quoted, publishes and distributes paper products in the greeting card market. There are now four separate operating companies, each having its own brand identity and different markets.

Turnover in 1988 improved to from £8.22m to £8.82m, but operating expenses were nearly £1m higher, interest payable was almost doubled, and the exceptional charge rose to £224,000, compared with £138,000.

Earnings per 5p share were halved to 5.1p (10.1p).

Mr Richard Horton, chairman, said the reorganisation led to a poorer Christmas than planned. Christmas was a little disappointing for the greeting cards industry as a whole and the September postal strike affected a period of improving sales.

# Cullens issue 33.7% sold

Share and warrant holders in Cullens Holdings, the loss-making convenience food stores chain, have taken up 1.86m, or 33.7 per cent, of the shares issued under its £2.29m one-for-four rights issue, writes Clare Pearson.

*Mr Peter Matthews*, chairman, said he was not disappointed in the result of the issue given that it was announced as the company reported that losses continued "substantial" in the second half of the financial year. The half-year trading deficit was £1.1m, down from £1.6m.

Yesterday Cullens' shares closed unchanged at 45p, the level at which the rights issue shares were priced.

Proceeds of the rights issue, Cullens' third since a management buy-in in early 1985, will be used partly to finance the acquisition of the freeholds of five stores.

# Renaissance ahead to £479,000

Renaissance Holdings, the specialist hands-on investor in recovery, turnround and special situations, increased pre-tax profits from £367,000 to £479,000 in 1988.

During the year the inflow of projects improved, and investments currently total 14.

Mr Nicky Branch, chairman, said there was no shortage of opportunities at home and in the US, but it was planned to develop joint ventures to exploit Europe and Canada.

Earnings were 3.99p (3.62p) per share; the final dividend is 2.1p making a total of 3.3p (3.03p). Net asset value per share was 104.3p (95.3p).

# Asda Property leaps to £6.8m

Asda Property, the property investment, development and trading group, yesterday reported an 87 per cent expansion in pre-tax profits for 1988.

The advance – from £3.64m to £6.82m – was achieved on turnover ahead 65 per cent to £33.46m (£20.33m). Net rental income increased to £5.43m (£3.9m). Earnings per 20p share rose from 3.6p to 6.3p and a proposed final dividend of 1p raises the annual payment 50 per cent to 1.5p.

Net assets per share, after taking into account dilution for conversion of preference shares, rose from 177p to 238p. Mr Manny Davidson, chairman, said the current year had started well and a number of new acquisitions had taken place. He foresaw further rental and capital growth throughout the group's portfolio.

# Breedon more than doubled

Profits more than doubled to £3.59m for the year ended January 31 1989 are reported by Breedon, which is engaged in limestone quarrying and house building.

This was earned on turnover of £16.63m. Previously that came to £5.81m on which the profit was £1.74m.

Operating profit rose to £2.95m (£1.23m) while surplus on sale of non-trading assets fell to £93,000 (£236,000). Earnings worked through at 8.53p (4.71p) per share and the dividend is raised from 3.175p to 3.75p.

The directors said completion of the A42 Birmingham-Nottingham trunk road, part of which passes between two of the quarries, should enable the company to be extremely competitive in securing orders for at least the next two years.

Housing completions in the building subsidiary were considerably ahead of last year. The business was being expanded, particularly into the retirement market.

## UK COMPANY NEWS

# Mowlem advances 19% to £59.5m

By Andrew Taylor, Construction Correspondent

PRE-TAX PROFITS at John Mowlem, the construction and building services group which owns London City Airport, rose by 19 per cent to £59.5m during the 12 months to end-December.

The increase would have been higher but for a £4.8m loss at London City Airport. After interest charges the loss increased to £7m.

The performance of the docklands airport was hampered by the temporary suspension by air traffic controllers of the Paris route at the end of 1987. The *group intends shortly to* submit a planning application to extend the runway to accomodate the BAe 146 jet which has a greater range and bigger payload than planes currently using the airport.

Earnings per share, following a lower tax charge, rose 26 per cent from 38.3p to 48.2p.

The group's building services and housebuilding had a bumper year. Housebuilding profits jumped from £10.1m to £17m.

Mowlem, which builds almost 60 per cent of its homes in south east England, said sales during the first three months of this year were about 30 per cent lower than during the first three months of 1988.

The group said house sales had raced ahead during the first half of last year, only to drop sharply in the Autumn. Progress was likely to be more even this year.

Alan Harper

Sir Philip Beck: boost as scaffolding contributes £31m.

The shape of Mowlem's business has changed radically since the acquisition of its scaffolding and plant hire companies three years ago. Last year building services accounted for 61 per cent of group operating profits.

Scaffolding profits rose by 43 per cent to £31.4m with the UK accounting for about three-quarters of profits. The Netherlands, the next biggest market, will be overtaken by France this year following Mowlem's recent purchase of Comabi, the French scaffolding group.

Plant hire profits rose 39 per cent from £8m to £11.1m. Sales, helped by the opening of new outlets and the continuing rise in UK construction output, increased 40 per cent from £60m to £84m.

Contracting and property, once Mowlem's main business, fell from £13m to £11.8m. The decline was due to a lower contribution from international work, a lower number of contract settlements coming through and the incidence of low margin work in south east England.

The construction business has been reorganised to concentrate on higher value, better margin work. Order books had increased from about £700m to £1bn by the year end.

Total dividends for the year rose from 17.25p to 19.5p via a final of 14.25p.

**● COMMENT**

The results are a further vindication of the purchases of the scaffolding and equipment hire businesses which were critcised at the time as too expensive. The businesses have been doing very well while UK construction output has been rising steeply. They have the added attraction in that a large *slice of their businesses is* generated from repair and maintenance work which is less likely to be affected when the current building boom comes to an end. Unfortunately for Mowlem, its airport investment has not been such a happy tale. There could be a long planning battle over moves to allow the BAe 146 to use the dockland airport. It is going to be very difficult for the airport to meet its target to break even by the end of 1990. Housebuilding will do *well* to hold *its* own this year, but contracting should do better from higher margin business. A *pre-tax* profit of £69m puts Mowlem on a p/e of just over 8 – a worthy enough rating but one which is not going anywhere in the short term.

# Expectations realised as Proudfoot tops £27m

A PROFIT of £27.39m was achieved in 1988 by Alexander Proudfoot, a US management consultancy which reversed into City and Foreign Holdings, an investment trust, in September 1987.

Turnover totalled £98m and earnings doubled to 27.1p which demonstrated that the initial expectations of the acquisition had been largely realised, the directors stated.

Results included the Language School until disposal in July. Figures for 1987 – turnover £18m and profit £3m – took in Proudfoot since acquisition and the Language School for the whole period.

The company is paying a final dividend of 3.5p to make 5.5p for the year (2.92p).

There was an extraordinary credit of £3m (debit £386,000) being the surplus on the sale of Language School, goodwill having previously been written off.

Shareholders will be asked to sanction the purchase by the company of up to 15 per cent of its shares in the market.

Provident Mutual Life has disposed of 402,000 ordinary shares (0.65 per cent) in Proudfoot reducing its holding to 3.47m shares (5.6 per cent).

## Pennine Optical

Pennine Optical, the Third Market-quoted spectacle group, made pre-tax profits of £200,000 for year to the end of October 1988, an improvement of 92 per cent of the £104,000 achieved in the previous year.

Turnover rose to £1.23m (£1.02m).

Tax accounted for £69,000 (£36,000), leaving earnings of 4.9p (3.1p) per 2.5p share.

# LIT jumps to £5.6m in nine-month period

By Nikki Tait

LIT HOLDINGS, the acquisitive financial services group, yesterday announced pre-tax profits of £5.6m in the nine months to end-December, on income of £68.6m.

The figure contrasts with the £3.5m achieved on income of £51.5m in the year to end-March 1988. Earnings per share for the nine months was 8.5p, against the previous 12-month figure of 10.2p.

The company, which is changing to a calender year-end, recommended a final dividend of 2.93p making 5.63p for the period.

Comparisons are unrealistic, however, because of a number of significant acquisitions made by LIT during the past nine months. These included the Goldberg interests in the US which contributed from early June, Jersey General Investment Trust in August, a 24.5 per cent interest in Levitt Group in late-October (subsequently raised to over 33 per cent in February), and Ashburton Group and Asset Trust in October and November respectively.

The purchase of Johnson Fry was not completed until after the end of the period under review and did not affect the figures.

LIT did not reveal the contribution from the purchases, but said that, with the exception of Asset Trust, they were all acquisition-accounted. The only profits break-down is given in terms of geographical area, with £1.7m coming from the UK and £3.9m from the US. Interest charges were £4.2m.

Yesterday, LIT said that operating conditions for the futures and securities division were not easy during the period, due to a subdued trading environment. The division also underwent an integration of its separate operating businesses and saw certain management changes.

LIT added that Levitt made profits before tax of £8m, beating its expected target by about £1m.

# York Waterworks stake raised

By Andrew Hill

EQUITY & Law Life Assurance Society, which has played a crucial role in a number of recent bids for UK statutory water companies, has increased its stake in York Waterworks Company to 16.1 per cent.

None of the large investors in the industry – notably France's three largest water suppliers – has declared an investment in York Waterworks, the only statutory company in Yorkshire Water Authority's region.

Equity & Law, which took its investment in York over 15 per cent a few weeks ago, held a number of important stakes in water companies in the south east of England, which it committed to French bids.

In January, the sale of the institution's 11 per cent holding in Folkestone and District Water Company helped thwart a counter-bid from a joint venture between Southern Water Authority and Mr Duncan Saville, a Sydney-based investor.

## COMPANY NEWS IN BRIEF

A&M GROUP, the furniture and film-set supplier which is planning to buy City and Westminster Financial in a reverse takeover, has agreed to sell its 25 per cent interest in post-production digital facilities group Soho 601 for £75,000. In addition, inter-company loans totalling £240,000 will be repaid to A&M over the next three years.

ASSOCIATED PAPER Industries is to close all coating and converting operations at the Bollington factory of Henry and Leigh Slater, with the exception of the electron beam development project.

BARR & WALLACE Arnold Trust, the Leeds-based motor and leisure group, has paid £650,000 in cash for Albany Travel (Manchester), a tour operator and travel agency.

BRITISH EQUIPMENT Leasing, vendor leasing and trailer rentals, has been acquired by Commercial Leasing of Denmark for £6.7m. Vendors are Independent Finan of Sweden (51 per cent) and Mr Ronald Graham, managing director (49 per cent). Mr Graham remains in charge.

CI GROUP is acquiring the business and assets of the perforating and cable tray division of N Greening for £1m cash and an additional £750,000 for stock.

EUROPEAN HOME Products is buying Laboratoires Valdor, a private French decorative cosmetics and skincare company, for cash – £2.6m (70 per cent) initially and the remainder in three years, depending on profits. Valdor was a management buy-out from Rhone-Poulenc group in 1987.

EW FACT is acquiring VATAX Advisory Services, specialist VAT consultants, for £250,000 cash. For the year ended June 30 1989 VATAX forecasts after tax profits of at least £50,000.

KENYON SECURITIES has acquired Ulster-based James Baird (Antrim) for £325,000 in cash and shares and also freehold property occupied by that company for £125,000 cash. The acquisition brings Kenyon's total number of funeral directing businesses to 122.

MOSAIC, the entrepreneurial holding company, has strengthened its presence in the car accessories market with the purchase of Electronics (GP International) for an initial £500,000 in cash with a deferred £250,000, payable in November. EGP, which is non-trading, owns 50 per cent of Fister UK, which assembles and distributes replacement car accessories in the UK and Scandinavian markets.

NOBLE RAREDON rights accepted in respect of 96.2 per cent. Balance placed in market.

# All-round lift gives Lamont £12m

**By Alice Rawsthorn**

LAMONT Holdings, the Northern Ireland textiles group, yesterday announced a 26 per cent increase in pre-tax profits from £9.5m to £12m in 1988, on sales ahead by 2.5 per cent from £94.33m to £96.74m.

Sir Desmond Lorimer, chairman, said the group had fared well in every division with especially strong growth from its computing and property interests. Lamont was poised for further expansion by acquisition, he said, probably into niche areas of textiles. The share price rose by 5p to 274p.

Lamont, which is based in Belfast, saw operating profits rise to £12.06m (£9.99m). It has eradicated its borrowings – it now holds £8m in cash – and reduced its interest payment to £55,000 (£477,000).

The tax rate rose to 31 per cent – as tax losses were exhausted – to make the charge £3.74m (£2.3m). The rate will rise again to about 33 per cent this year. Earnings per share increased to 35.21p (31.04p). A final dividend of 6.75p is proposed, lifting the total from 7p to 9.5p.

Carpets, which form the largest part of Lamont, saw profits rise to £5.91m (£5.27m) on sales of £60.13m (£59m). Sir Desmond said the home market had been buoyant, despite the concern over consumer spending and the corporate upheavals within the carpet industry. The group did, however, face a fall in carpet exports reflecting the impact of the strong pound on sales to its main market, the Middle East.

Lamont's other textile interests, which are dominated by Moygashel linen, increased profits to £3.44m (£3.03m) on sales of £26.63m (£25.52m).

The computing division saw profits rise to £785,000 (£733,000) on sales of £6.25m (£5.25m), reflecting the introduction of new software products and growth in income from maintenance.

Engineering sustained a fall in profits to £284,000 (£304,000) and in sales to £2.48m (£3.44m) following the disposal of the James H. Lamont business last summer. Property benefited from rent reviews towards the end of 1988 and experienced an increase in profits to £939,000 (£803,000) and in sales to £1.25m (£1.11m).

Having completed the reorganisation of Shaw Carpets – which was acquired three years ago - and strengthened its balance sheet Lamont now intends to return to the acquisition trail. Sir Desmond said the group was actively looking for sizeable textile businesses – outside clothing – to reorganise, as it had done with Shaw.

# Apricot's increased cash terms win DDT

**By Nikki Tait**

APRICOT Computers, the personal computer manufacturer, yesterday won its brief bid battle for DDT Group, the computer maintenance contractor, with a marginally increased cash alternative offer.

The new cash terms are worth 118p a share, and value DDT at £7.74m. The paper terms - 19 Apricot shares for every ten DDT - are unchanged; with Apricot steady at 64p, they value each DDT share at 121.6p.

Apricot said yesterday that, having talked to major shareholders, it became clear that slightly increased cash terms would have a chance of swift success. Accordingly, it had decided to end the uncertainty.

As a result, it was able to announce simultaneously that it has agreed to purchase a further 823,000 shares, or 12.71 per cent, at the 118p level. Combined with shares *already owned by Apricot*, this takes the bidder's tally to 52.71 per cent. The latest shares are understood to have come principally from Scottish Amicable and English Trust.

A rival recommended all-paper bid for DDT from Vistec, the USM-quoted computer services and supplies group, was already on the table when Apricot entered the fray. The DDT board also subsequently indicated its preference on commercial grounds for the former suitor.

However, Vistec last week decided that it would not add a cash alternative to its terms and - in the light of this decision and the revised Apricot terms - DDT is now switching its recommendation to the Apricot bid.

Yesterday, the two companies were due to meet for initial discussions. Both DDT and Apricot said it was too early to speculate on how the businesses might be integrated.

Apricot's formal offer document is due to be posted within the next few days.

# Strong & Fisher raises stake in Pittard Garnar to 9.95%

**By Nikki Tait**

AS MANUFACTURERS and the City await publication of the Monopolies and Mergers Commission reports into Britain's leather industry, Strong & Fisher has raised its stake in Pittard Garnar to 9.95 per cent.

The bulk of the shares are believed to have come from Charterhall, an investment company built up by Mr Russell Goward, an Australian businessman.

The MMC has been looking into two specific matters: a potential bid by Strong & Fisher for rival leather manufacturer Pittard; and any increase in the 16.6 per cent stake in Pittard held by Hillsdown Holdings, the much larger food, furniture and property group.

The MMC reports were delivered to the Department of Trade and Industry on March 10, but have yet to see the light of day – although most observers believe publication must now be imminent.

Strong & Fisher, whose previous £41m bid for Pittard was referred to the MMC in November, had already raised its stake once during the inquiry period to 5.3 per cent.

It has now announced further purchases of 835,000 shares on March 31, 10,000 on April 5, and 105,000 on April 7, taking its total holding to 2.16m shares.

Mr Richard Strong, chairman, yesterday said that the purchase had been made when the company was offered a block of shares. Strong & Fisher is prohibited from raising its interest in Pittard beyond 15 per cent during the MMC inquiry period.

Charterhall confirmed that its interest had been sold into the market, and said that it was showing "a good profit" on the stake. It was an investor in the group back in late-1986 and now takes in some footwear retailing interests. The latest stake was built up about six months ago – shortly before and just after S&F's bid.

According to Pittard, Charterhall held around 200,000 shares directly, plus a further 600,000 through Eurovast, a Hong Kong company believed to be connected to Mr Goward.

# Computer People profits advance 31%

Computer People Group, computer staff agency, announced pre-tax profits up 31 per cent from £2.47m to £3.23m in 1988. Turnover rose by £10.28m to £47.02m.

Earnings per share advanced *28 per cent to 17.84p (13.9p) and* the directors have proposed a final dividend of 3.4p (2.4p) to make a total of 4.85p (3.6p). There was an extraordinary credit of £878,000, arising from the disposal of the principal business asset of VLM Projects, which held certain of the group's publishing interests.

Consulting revenue in the UK rose 32 per cent, while the recruitment business was a major success, said the company, with revenues up 55 per cent to £3.5m. Sterling Software of the US, acquired in August, exceeded the profit level necessary to trigger the first payment under the the earn-out arrangements.

Mr Michael Bayfield, chairman, said that the computer services markets in the UK and US were "expected to grow between 15 and 25 per cent into the foreseeable future" and said that the company was on line to meet its profit targets for the current year.

# Miss World has acceptances for 75% of Piccadilly Radio

**By Clare Pearson**

MISS WORLD, the entertainments group, yesterday said it had received acceptances in respect of nearly 75 *per cent of the voting shares of* Piccadilly Radio, the Manchester-based radio station for which it has made a £39.5m recommended bid.

As at last Friday, completed valid acceptances had been received covering 74.62 per cent of the voting shares. The total number of acceptances in respect of the voting shares *came to 74.97 per cent, or 1.95m* shares. Holders of 37.28 per cent of the non-voting shares, or 79.81 per cent of those of this class of shares for which Miss World had made an offer, had also accepted.

Miss World's offer, which closes on April 21, is still conditional on IBA approval. It cleared a crucial hurdle at the end of last month when Piccadilly Radio shareholders voted in favour of changing the articles of association of the company to allow an individual owner to hold more than 15 per cent of the shares.

# Lanca growth holds to 43% rise

LANCA, the handbag and clothing manufacturer, maintained growth throughout the second half of 1988 to end the year with pre-tax profits up 43 per cent at £1.44m, against £1.01m.

With sales ahead 25 per cent to £14.8m, margins showed an increase to 9.7 per cent (8.6 per cent). The directors recommend a final dividend of 1.1p making a total of 1.85p – 68 per cent higher than the previous year's single 1.1p.

Mr Chimu Gidoomal, chairman, said a significant contribution came from the encouraging growth of Fashion Accessories International, the group's clothing division, together with the benefits arising from the centralisation of the warehousing and distribution function after the acquisition in 1987 of Frankel & Roth (International).

The company is aiming to expand through both organic growth and acquisitions. Consistent with this strategy, it has recently acquired Hayjax Manufacturing from Prestwich Holdings for up to £233,000. Hayjax distributes a range of character merchandise towels, duvet covers and pillow cases.

As this acquisition was completed after the year end, the expected contribution to the trading position was not included in the results.

Tax took £527,012 (£334,901) and earnings per 2.5p share were 7.27p (5.46p) basic and 6.67p (5.03p) fully diluted. Previously, there was an extraordinary charge of £89,884.

# Exacta advances to £1.85m

**By James Buxton**

EXACTA, an unquoted maker of printed circuit boards for the electronics industry, *increased its pre-tax profits for* the year to December 31 1988 by 26 per cent to £1.85m. Sales rose by 14 per cent to £24.4m, of which £12.4m was exported to Western Europe.

Based at Selkirk in the Scottish Borders, Exacta was acquired by its management from STC in 1986 with the backing of Investors in Industry (3i) and other institutions.

The company - which now employs over 500 people - considers itself the UK's premier producer of the multi-layer printed circuit boards which are used for conveying data in data-processing equipment, as well as defence and telecommunications.

It supplies major electronics manufacturers in the UK, and has strong markets in Ireland, West Germany and France.

Its customers include International Business Machines, Digital, Apple and NCR.

The company said that demand has remained buoyant despite higher interest rates. Last year it made capital investments worth £1.8m compared to £1.2m the previous year.

Mr Derrick Bumpsteed, managing director, said that Exacta was well on course to achieve a full stock exchange listing in the early 1990s.

The company was still looking for possible acquisitions in the printed circuit board field in continental Europe, especially West Germany, but so far had been unsuccessful in finding a suitable company to buy.

Mr James Hann, chairman, said that although Exacta was successful in selling to continental markets, it believed that it could penetrate them better if it owned a local subsidiary. It wanted to acquire greater size before going public.

## Summit placing

Summit Group, an unquoted financial and property concern, has completed a £17m private placing of new shares with institutional investors led by ECI Ventures.

The placing involves an issue of preference shares with equity warrants, together with an issue of ordinary shares to the ECI funds. On full subscription of the warrants, the institutional investors, including ECI funds, will own just under 12 per cent of the Summit equity.

# Home Counties profits checked second half

DESPITE a static second half, Home Counties Newspapers Holdings, printer and publisher of local newspapers, reported taxable profits for 1988 ahead by 21 per cent. The result was achieved on turnover up by 20 per cent from £14.4m to £17.26m.

For the second six months pre-tax profits were £1.42m (£1.45m) making £3.15m for the year, against £2.6m last time. The result was struck after an exceptional charge of £801,000 (nil) relating to additional costs for rationalisation and redundancies.

Stated earnings per share were 39p (33p) and the directors are recommending an increased final dividend of 8.25p (5p) for a total for the year of 12p (7.5p). The board is also proposing a capitalisation issue on the basis of one-for-one.

The tax charge was £1.2m (£953,000). Dividends absorbed £600,000 (£375,000).

## Satellite boosts Chepstow profits

The contribution from Satellite Information Services provided the main impetus as Chepstow Racecourse lifted taxable profits to £64,811 in 1983, up from £40,424 in the previous 12 months.

The chairman said that an application for planning consent has been lodged for the development of land adjoining the course.

Turnover expanded to £1.1m (£998,000). Earnings per share were 9.23p, against 6.55p last time, and the single dividend for the year is again maintained at 1p.

## Jacksons Bourne

Jacksons Bourne End has bought the shops and offices at 9-16 Oxford Street and 17-31 Octagon Parade, High Wycombe, from Rugby Securities for £8.42m.

The purchase represents Jacksons Bourne End's first *acquisition since the company* was reorganised after being taken over by Vasella. The deal is conditional upon the consent of Jackson's shareholders.

## SHARE STAKES

The following changes in share stakes were announced recently:

British Mohair – Lawrie Group, through the purchase of 100,000 ordinary, has lifted its stake to 3.43m (25.79 per cent).

China and Eastern Investment – Esso Pension Trust is financial owner of 905,000 ord (5.24 per cent).

Delyn Packaging – Coast Investment and Development, Kuwait, has disposed of 50,000 ord, reducing its holding to 365,000 (4.59 per cent).

Gartmore Information Trust – Damian Securities, a wholly-owned subsidiary of British and Commonwealth Holdings, has acquired £9,000 4.25 per cent cum pref stock. Also a further purchase of £132,600 5.26 per cent cum pref in Gartmore Information and Financial Trust, brings its total holdings to 21.2 per cent.

James Dickie – Specialist Holdings has acquired 20,000 ordinary and now holds 122,500 (6.62 per cent).

Macallan-Glenlivet – Highland Distilleries has acquired 70,000 ord bringing its total holding to 831,752 (10.4 per cent).

Piaton International – City and Westminster Financial has disposed of 150,000 ord and now hold 281,966 (4.25 per cent).

Rights and Issues Investment Trust – Grieg Middleton, on behalf of investment clients, and by agreement with discretionary unit fund managers, has disposed of 100,000 capital shares. On the same date the company acquired 38,610 capital shares, resulting in a holding of 561,110 capital and 104,000 income shares (19.7 per cent). A further 10,000 capital shares have been acquired by Morris and Co Trust Fund, which now holds 6.25 per cent registered in the name of Greene Nominees.

Southampton Isle of Wight and South of England – Shires Investment has sold 35,000 shares, reducing its holding to 315,000 (9.3 per cent).

Sutcliffe Speakman – NW Harvey Holdings has sold 150,000 ordinary at 162p and simultaneously acquired 150,000 warrants at 88p.

John Foster – Equity Capital for Industry has sold 222,615 ordinary, leaving its holding at 1.12m (10 per cent).

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Portland, Wardle Storeys.

Finals: American Plastic Tech, Ash & Lacey, Barr & Wallace Arnold, Blockleys, Cussins Property, Early's of Whitney, Erith, Fisons (Mrs), Higgs & Hill, Martin (Albert), Next, Savoy Hotel, Taylor Woodrow, Telfos, Thompson Clive Invs, Weco.

FUTURE DATES

| | |
|---|---|
| Interims: | |
| Archer (A J) | May 25 |
| Technology Trust | May 12 |
| New Central Witwatersrand | May 17 |
| Novo Industri | May 10 |
| Finals: | |
| Anglo American | Apr. 13 |
| Brent Walker | Apr. 20 |
| City of Oxford | May 10 |
| Drake Heat | Apr. 14 |
| Eclipse | Apr. 18 |
| Hunting Associated | Apr. 13 |
| Lawrence (Walter) | Apr. 19 |
| Mallett & Son | Apr. 12 |
| Rock | Apr. 17 |
| Triangle Trust | Apr. 18 |
| Wace | Apr. 18 |

## FT LAW REPORTS

# No damages for car crash victim

REID v RUSH & TOMPKINS GROUP LTD PLC
Court of Appeal (Lord Justice May, Lord Justice Neill and Lord Justice Ralph Gibson): March 23 1989

AN EMPLOYER owes no duty of care in tort to employees working abroad to protect them from economic loss caused by someone for whom he is not responsible, nor to advise them as to special risks, unless there is some express or factually implied term to that effect in the contract of employment. Accordingly, in the absence of agreement to the contrary, employers who are not to blame for injuries suffered by an employee while driving in the course of his employment in a foreign country where third party insurance is not compulsory, cannot be sued for damages on the ground that they failed to take out insurance on his behalf or to advise him that in view of the lack of local cover he should make appropriate arrangements himself.

The Court of Appeal so held when dismissing an appeal by Mr Frederick Joseph Reid from a decision by Sir Douglas Frank QC sitting as a deputy High Court judge, striking out his claim for damages against his previous employers, Rush & Tompkins Group Ltd, on the ground that he had pleaded no reasonable cause of action and the claim could not succeed.

LORD JUSTICE RALPH GIBSON said that on January 26 1984 Mr Reid suffered severe injuries while driving his employers' landrover in Ethiopia in the course of his employment as a quarry foreman on the Armati Division project.

His injuries were caused by a collision between the landrover and a lorry. The employers were in no way responsible. The sole cause was the lorry driver's negligence. The injuries were to both legs. Mr Reid was unable to return to work. He could not recover any damages.

Mr Reid alleged that the employers should have been aware there was no system of compulsory third-party motor insurance in Ethiopia. He claimed they were in breach of their duty of care as employers in failing to insure him against the negligence of a third party, or in failing to advise him to obtain such insurance for himself. He issued a writ on October 24 1986.

The action was struck out by Master Creightmore. Sir Douglas Frank QC sitting as a deputy High Court judge, dismissed Mr Reid's appeal. In his view it was plain and obvious the case could not succeed. Mr Reid now appealed.

For Mr Reid it was said that the employers owed a duty in tort to take all reasonable steps necessary in the light of special risks arising from working in Ethiopia, to protect Mr Reid's economic welfare. It was also said that the relationship between him and the employers gave rise to a duty of care in tort within the principle in *Hedley Byrne [1964] AC 465*, in that by employing Mr Reid to work in Ethiopia, the employers undertook by necessary implication to advise him as to special risks, and he by necessary implication relied on them to furnish such advice.

Mr Aylen for the employers submitted there were rules of law which rendered the claim unarguable. He contended that economic loss was not recoverable because it was not caused by injury to Mr Reid or his property for which the employers were responsible (see *Donoghue v Stevenson*).

Mr Smith for Mr Reid acknowledged the claim was for pure economic loss, with reference to the ordinary duty of care owed by a master to his servant.

No case had been cited in which an employer's duty had been extended to protect the servant from economic loss. If a servant were to have a claim in tort against his employer in respect of economic loss, it must be based on some special factor in the circumstances or the relationship which justified extension of the duty – or on a separate principle of the law of tort which imposed such a duty.

Mr Aylen submitted that without proof of voluntary assumption of risk and reliance, on *Hedley Byrne* principles, questions of foreseeability and proximity of relationship did not arise (see *Anns v Merton [1978] AC 728*), because the claim was for economic loss not caused by physical injury or damage for which the employers were responsible. He relied on *D & F Estates [1988] 3 WLR 368*.

That decision had not established so wide or general a rule. The House of Lords was not dealing with all forms of negligence, and did not intend laying down a rule that in no case could damages for economic loss be recovered except under *Hedley Byrne* principles. In *La Banque Financiere [1988] 2 Lloyd's Rep 513* the Court of Appeal was prepared to accept that in some cases (if rare) of pure economic loss, the court might be willing to find the existence of a duty of care, even in the absence of voluntary assumption by the defendant of such a duty.

That meant that one of the grounds on which the employers had asserted that there was no reasonable cause of action had not been made out.

Second, Mr Aylen said the relationship between the parties was contractual, and as there was no contractual term requiring the employers to incur the alleged obligations, Mr Reid was precluded from suing in tort.

It was impossible to hold on the facts that an implied term to advise arose from the contractual relationship. The only facts were the offer and acceptance of employment, the employers' knowledge of the circumstances in which Mr Reid would be exposed to special risk in Ethiopia, and his ignorance of that risk.

If the term was to be implied at all it must be implied by law.

That meant it was to be implied in any contract of employment where the master engaged the servant to work abroad in a country where he would face a special risk of the present kind, and was, to the employers' knowledge, ignorant of that risk.

A new term could be implied by law into contracts of employment. But in the present case it was impossible as a matter of law to imply a term creating a specific duty to advise Mr Reid to obtain insurance cover.

Such a duty was inappropriate for incorporation by law into all contracts of employment. The length of time during which the servant would work abroad and the nature of his work, and therefore the extent to which the servant would be exposed to the special risk, might vary greatly between one job and another.

The usefulness of the principle contended for seemed, in social terms, to be plain enough. But to incorporate the duty by law into contracts of employment, if it were to work fairly, would require exemptions and limitations which could only properly be achieved by legislation.

The next question was whether, in the absence of a special term implied on the facts or by law, the alleged specific duty to inform and advise could be held arguably to have arisen by reason of an "assumption of responsibility" by the employers.

A defendant's actual or implied knowledge that the plaintiff was relying on him was vital to the concept of "voluntary assumption of responsibility" as used in *Hedley Byrne*.

In the present case there had at no time been any reference by either side to the special risk. Mr Reid therefore had no reasonable cause of action based on voluntary assumption of responsibility.

With regard to a duty to provide personal accident insurance, it was impossible to hold that the scope of the duty in scope could extend so far.

Compulsory insurance against liability to employees was required by the Employers' Liability (Compulsory Insurance) Act 1969, but applied only to bodily injury or disease sustained in Great Britain. The legislation had not in general extended the duty of compulsory employers' liability insurance to employment abroad. The Common Law could not devise such a duty. The legislature had not thought fit to impose it, and it could not be just or reasonable for the court to impose it.

It had been stated on at least two occasions (*Deyong v Shenburn [1946] 1 KB 236*; *Edwards v West Hertfordshire Hospital [1957] 1 WLR 415*) that in the absence of express or implied contractual term, the master's duty was limited to the protection of the servant against physical harm or disease.

Therefore it was not open to the court to extend the duty of care owed by the employers to Mr Reid by imposing a duty in tort which was not contained in any express or implied term of the contract.

The appeal should be dismissed.

Lord Justice May and Lord Justice Neill agreed.

*For the employers: Walter Aylen QC and Richard Davies (Mackrell Turner Garrett)*
*For Mr Reid: Colin Smith QC and David Radford (Cawthorn Billins Sharpe)*

**Rachel Davies**
*Barrister*

CREDIT SUISSE
CREDIT SUISSE FINANCE (PANAMA) S.A.

## Notice to the holders of 4⅞% US$ Bonds with Warrants 1987–97 of Credit Suisse Finance (Panama) S.A. (Swiss Security No. 804.880, No. 806.193 for the Warrants)

### DESCRIPTION OF THE NEW STRUCTURE OF THE CREDIT SUISSE GROUP

On 2 March 1989 the General Meeting of Shareholders of CS Holding and the Board of Directors of Credit Suisse (CS) passed the resolutions required for the Group's reorganisation.

CS Holding's current share capital of Sfr 50,000 will accordingly be increased in stages by a maximum of Sfr 2,349,950,000 to a maximum of Sfr 2,350,000,000, with the preferential subscription rights of the present shareholders and holders of participation certificates having been excluded. Of this amount, a maximum of Sfr 2,035,000,000 are set aside for the exchange of existing Credit Suisse shares together with CS Holding participation certificates for new shares in CS Holding. In the period from 17 to 27 April 1989 at noon, 1 current Credit Suisse bearer share with a nominal value of Sfr 500 with attached bearer participation certificate of CS Holding with a nominal value of Sfr 50 can be exchanged for 1.1 CS Holding bearer share with a nominal value of Sfr 500. Similary, one current Credit Suisse registered share with a nominal value of Sfr 100 with attached registered participation certificate of CS Holding with a nominal value of Sfr 10 can be exchanged for 1.1 CS Holding registered share with a nominal value of Sfr 100.

CS Holding reserves the right to withdraw the exchange offer if less than two-thirds of all Credit Suisse shares are notified and deposited for the purposes of exchange. The Extraordinary General Meeting of Shareholders on 8 May 1989 will *come to a decision on the outcome and make their decision known immediately.*

The exchange for 1.1 share of CS Holding is without charge and has no economic effect on the current shareholder's interest in the CS Group. Each shareholder's overall equity interest remains the same as before the implementation of the new structure. His previous ownership of 1 CS share with 1 CS Holding participation certificate will now be embodied in 1.1 share of CS Holding (either bearer or registered, as appropriate).

CS Holding, at present a sister company of Credit Suisse, will become the **central holding company** and parent company of the CS Group upon completion of the exchange of Credit Suisse shares for shares of CS Holding. Following the exchange transaction, Credit Suisse will be a subsidiary of CS Holding and will continue to operate as a universal (full-service) bank. Its present interests in Electrowatt Ltd. and Fides Holding will be held directly by CS Holding. The exchange will result in a substantially simplified Group structure with enhanced transparency for shareholders. CS Holding will function purely as a holding company; it will not engage in banking operations.

After the exchange, an offer of rights to subscribe for further shares of CS Holding will be made to the shareholders and remaining participation certificate holders of CS Holding. Under the terms of this offer, the shareholders of CS Holding will have the right *during the period from 29 May until noon on 9 June 1989* to purchase 1 new share for every 15 shares of the same class at par.

### IMPLICATIONS FOR EXISTING US$ BONDS WITH WARRANTS ISSUED BY CREDIT SUISSE FINANCE (PANAMA) S.A.

For the holders of warrants the exchange transaction has the following implications:

– In the event of exercise of options after 21 April 1989, a present entitlement to 1 CS bearer share with a nominal value of Sfr 500 plus 1 bearer PC of CS Holding with a nominal value of Sfr 50 will be replaced by an entitlement to 1.1 bearer share of CS Holding with a nominal value of Sfr 500 per share. Delivery and settlement will be effected no earlier than 10 May 1989. All fractions of CS Holding shares resulting from the exercise of options will be reimbursed in cash at the day's closing price quoted on the Zurich Stock Exchange.

– No change in the currently valid warrant exercise price will result from the exchange offer made to the shareholders of Credit Suisse and the holders of PCs of CS Holding. After 21 April 1989, the warrant exercise price will, in accordance with the exchange ratio, refer to 1.1 CS Holding bearer share.

– Protection against dilution:
*Under the existing terms for the exercise of warrants, rights issues and certain other events lead to a reduction of the warrant exercise price. If such events occur after 21 April 1989, purchases of shares of CS Holding through the exercise of rights on existing warrants will be subject to the same procedure and conditions as would apply at present to Credit Suisse shares. This means that if an event affecting Credit Suisse would have led to a reduction in the warrant exercise price in relation to Credit Suisse shares, then an event of the same nature affecting CS Holding will lead to a reduction in the warrant exercise price in relation to the purchase of CS Holding shares.*

| | **Warrants** before exchange | **Warrants** after exchange |
|---|---|---|
| 4⅞% US$ bond with warrants 1987–97 (listing no. 804.880 and 806.193) | 10 warrants exercisable into 1 CS bearer share (with PC of CS Holding) at Sfr 3,700 | 10 warrants exercisable into 1.1 bearer share of CS Holding at Sfr 3,700 |

**Supplementary information**

– *Shares reserved for holders of warrants:*
The owner of the Credit Suisse shares (with PCs of CS Holding) which serve to secure the rights of holders of warrants will notify these shares for exchange for shares of CS Holding and deposit them in safekeeping. The shares of CS Holding acquired through the exchange transaction will be kept by their owner and held available to secure the rights of holders of warrants as before.

– *Entitlement to dividends:*
For all shares of CS Holding acquired through the exercise of warrants, entitlement to dividends will be decided by reference to the financial year of CS Holding.

– *Trading in Switzerland:*
In order to ensure orderly and liquid trading during all stages of the exchange transaction, the following measures have been taken by the various Swiss stock exchange authorities:
- Official trading in the shares of Credit Suisse with attached PCs of CS Holding will be maintained until Friday, 21 April 1989; trading will cease as from Monday, 24 April 1989;
- Pre-market trading in the shares of CS Holding on a «when issued» basis will commence on Monday, 24 April 1989, with continuous trading in CS Holding bearer shares.

Applications have been made for admission of CS Holding registered and bearer shares to listing on the various Swiss stock exchanges with effect from 10 May 1989. Trading in the bearer shares of CS Holding on the stock exchanges of Frankfurt and Tokyo will be instituted as soon as possible.

### APPLICATION FOR EXISTING CREDIT SUISSE SHARES WITH CS HOLDING PCs

Holders of warrants for the aforementioned issue who still wish to subscribe for CS shares with attached CS Holding participation certificates are requested to deposit their warrants with an official exercise office

**not later than mid-day on Friday 21 April 1989.**

Shares obtained in this manner *may still take advantage of the exchange offer prior to expiry of the exchange period.* Exercise of warrants directly into CS Holding shares may be made as from 24 April 1989. Delivery and settlement will be effected no earlier than 10 May 1989.

11 April 1989

**Crédit Suisse**
**Credit Suisse Finance (Panama) S.A.**

## COMMODITIES AND AGRICULTURE

# Tin producers want to keep export quotas

By Wong Sulong in Kuala Lumpur

LEADING TIN producing countries, meeting in Kuala Lumpur yesterday to discuss the sharp upsurge in prices in recent weeks are in agreement that their supply rationalisation scheme, now in its third year, should be retained.

They feel that the abandonment of export quotas at this stage could jeopardise a young and fragile boom. Tin prices have risen by 35 per cent since the start of the year and ended last week at 26.29 ringgit a kilogram (£5,630 a tonne).

"The sharp price increase has caught everyone by surprise, and we do not quite know the reasons for it, and for how long the boom will last," said a Malaysian delegate.

He thought the lifting or relaxing of export curbs would be premature at this stage, although he added the executive committee of the Association of Tin Producing Countries could recommend an increase at the association's ministerial meeting in September, when the market situation would be clearer.

The seven ATPC members had decided to keep their exports to 106,400 tonnes for the 12 months to February 1990, while non-members Brazil and China agreed to keep theirs to 31,000 tonnes and 10,000 tonnes respectively.

The association had estimated overhanging stocks at about 38,000 tonnes but many traders are now questioning that figure, saying the overhang is more likely to be around 20,000 tonnes. They note, moreover, that much of that tin is subject to litigation ensuing from the 1985 collapse of the International Tin Agreement, while a substantial proportion is in the form of tin concentrates at the mines.

Delegates to the Kuala Lumpur meeting spent yesterday trying to reach a consensus over the various stocks figures supplied by producing countries, before getting down to discussing responses to the current bull market.

"There is a feeling that some producers are not very forthcoming with actual figures of their stocks, and this makes its difficult to formulate concrete decisions," said an Indonesian delegate.

The meeting, attended by the seven ATPC members plus Brazil and China, is scheduled to end today.

Meanwhile, Malaysian officials say they are considering proposals to relocate four small towns in the rich tin-bearing Kinta Valley in Perak State, to allow for tin mining.

Currently most Malaysian mines are working on low grade deposits, and last year the country produced 28,866 tonnes of tin, a decline of 5 per cent from the 1987 level.

# Tapping into rubber's renewed strength

Wong Sulong on a producer victory in price support talks

BATTLE-WEARY producers walked away from a marathon session of the International Natural Rubber Organisation in Kuala Lumpur last Friday having won agreement from consumers for an 8 per cent rise in Inro support prices.

The increase is seen by producers as a major achievement as it means that rubber prices will have to be defended at levels that are profitable for virtually all producers.

"It is not often appreciated, but rubber is a politically sensitive commodity to South-east Asian countries, particularly Malaysia and Indonesia," said Mr Ahmad Farouk, leader of Malaysia's delegation and spokesman for the exporters' group. "We went to the Inro meeting not to demand unrealistically high prices, but prices that would be profitable for our farmers, and we got them."

There is no denying that the exporting countries had the cards stacked in their favour. When the new agreement was negotiated, it was agreed that the first council session should discuss a price review. The agreement also provided for an automatic increase or decrease of 5 per cent in the support level to be triggered by average prices for the previous six months.

Since the average price during the critical period was above the "may buy" level, that clause came into effect. Moreover, as there was a net sale of 300,000 tonnes since the last revision, the so-called "quantity trigger" was also operated and a further 3 per cent had to be added.

Many importing countries argued for a lower price increase, pointing out that prices had peaked since last April, and were now below the "may sell" level. But in the end they had to agree that under the circumstances the 8 per cent increase was the minimum.

During the Inra II negotiations in 1986/87 in Geneva, it was the importing countries themselves that had demanded automatic adjustment of support prices. At that time, rubber prices hads been depressed, and Inro was accumulating massive stocks.

The new reference price is 218.1 Malaysian/Singapore cents a kilogram, compared with 201.66 cents previously. At the lower intervention range, the "may buy" level is increased to 185 cents (from 171 cents), while the "must buy" level is 174 cents (from 161 cents).

At the upper intervention range, the "may sell" level is increased to 251 cents (232), while the "must sell" level is now 262 cents (242).

With rubber prices firm at the moment, Inro buying is not expected in the short term. But if and when it does become necessary, members will have to make bigger financial contributions.

It is partly for this reason that some importing members, notably Canada and Australia, have decided not to renew their memberships.

At a time when commodity pacts are going out of fashion, the rubber agreement stands out as a success. The tin agreement has collapsed, while the cocoa and coffee pacts are foundering.

The rubber accord has been tested at both ends of the price range. Its buffer stock manager had to buy more than 360,000 tonnes during the 1985/86 period to support prices, but during the past 18 months he has been able to sell off virtually his entire stock.

As a result, Inro delegates last week found themselves tackling the relatively pleasant task of negotiating the distribution of assets from the first agreement, totalling 1,023m ringgit (US$375m).

It was decided that R835m would be distributed immediately to members. A sum of R70m ringgit would be retained as initial contributions to Inra II, and the rest would be distributed during the next Inro meeting in November.

At the moment, 89 per cent of the exporting countries and 82 per cent of the importing countries in the first agreement have renewed membership. The rest have until the end of the year to do so. Inro is also trying to add South Korea to its list of members, as it has emerged as a significant rubber importer in recent years.

Malaysia also gained a bonus from the Inro meeting when it secured delegates' approval for the Thai-Malaysian agreement that the two countries should share the top Inro job of executive director. The Thai nominee, Mr Pong Sono will serve for three years to the end of January 1992, after which the Malaysian nominee, Mr Wong Kum Choon, will take over.

Last year, Malaysia produced 1.6m tonnes of natural rubber, followed by Indonesia with 1.2m tonnes and Thailand with just over 1m tonnes.

# Turkey launches official gold trading

By Jim Bodgener in Ankara

TURKEY'S CENTRAL bank yesterday opened a gold market aimed at curbing gold smuggling and illicit dealing, and supporting the financial sector. A total of 1.5m tonnes of gold was sold last week during trial trading on the exchange.

The official price fixed yesterday was $382.50 an ounce – the dealing last week brought prices down to within $65 dollars of spot internatonal prices, compared with prices as high as $300 above the Zurich rate previously.

Before last week, the only legal gold sales in Turkey were the inadequate supplies by the central bank to jewellers. Players in the new market are banks and other financial institutions already licensed to deal in the central bank's in-house foreign exchange dealing room which fixes currency rates of exchange.

Traditionally there has been extensive gold smuggling, particularly through Bulgaria, where a schedule of bribes and tariffs involving both countries' customs officials guaranteed delivery.

But latterly with margins in the black market squeezed by falling world prices, and the threat of the central bank market opening, dealers in Istanbul's "tahtakale" black market in currency, gems and precious metals had turned to speculation in shares instead. This partly has sustained a rally from last month which has kept the Istanbul stock exchange's index at about 470-500.

**LME WAREHOUSE STOCKS**
(Change during week ended last Friday)
tonnes

| | | |
|---|---|---|
| Aluminium | −10,525 | to 127,450 |
| Copper | 103,22 | to +6,625 |
| Lead | 39,600 | to −1,650 |
| Nickel | 3,690 | to +294 |
| Zinc | 2,925 | to 38,200 |
| Tin | −110 | to 1,390 |
| Silver (oz). | −1,486,000 | to 10,310,000 |

# Papaua New Guinea's Porgera gold estimate increased 26%

By Chris Sherwell in Sydney

ESTIMATES OF mineable reserves in the massive Porgera gold deposit in Papua New Guinea's central highlands have been increased by more than 26 per cent, the three international joint venturers involved in the project announced yesterday.

The announcement, based on a major drilling programme into the high-grade core of the deposit, makes one of the world's biggest gold finds even larger. It was promptly welcomed by the Port Moresby Government, which is expected soon to give the project its final go-ahead.

The three partners – Placer Pacific, Renison Goldfields and MIM – said mineable reserves, based on a cut-off grade of 1.5 grams of gold per tonne, amounted to 60.1m tonnes at an average grade of 6.5 grams of gold per tonne. The previous figure, revealed in June 1988, was 54.2m tonnes at 5.7 grams per tonne.

The joint venturers also announced an upward revision in measured and indicated resources of the Porgera deposit, which lies buried inside a mountain. At a cut-off grade of 1.5 grams per tonne, it says the resource amounts to 84.4m tonnes with an average 5.8 grams of gold per tonne. The previous figure was 83.6m tonnes at 4.9 grams per tonne.

Mr Rabbie Namaliu, the Prime Minister, said the increase meant the Government could receive additional revenues averaging Kina 7m (£5m) per year over the projected 20-year life of the mine. This in turn would mean higher revenues both for the Provincial Government of Enga and for local landowners in the Porgera area.

This is important because of difficulties the National Government has faced securing the landowners' and the Provincial Government's agreement to the terms under which the mine will be developed. Mr Namaliu said yesterday it was important to give the go-ahead as soon as possible so that everyone could benefit. Currently it is running months overdue.

The Government is taking a 10 per cent equity stake in the project, which will reduce the interest of each of the three partners from 33.3 per cent to 30 per cent.

Porgera will be the country's fourth major mine. CRA's Bougainville Copper began in 1972 and the Ok Tedi gold and copper mine, involving a BHP-led consortium, started in 1984. Production at Placer Pacific's Misima island gold mine is due to be commence shortly.

Apart from Porgera, major gold deposits have been located at Mt Kare in the highlands, Hidden Valley, and Lihir island, and the Government is hoping to use the revenues to fund economic development generally.

# EIU report sees bleak outlook for cocoa and coffee prices

By David Blackwell

A BLEAK outlook for cocoa and coffee prices is signalled in World Commodity Forecasts – a new publication to be published every other month by the Economist Intelligence Unit (EIU).

The International Cocoa Organisation (ICCO) should be written off as a supportive force indefinitely following the two disastrous meetings in January and March, says the opening edition of the report.

And if the International Coffee Organisation (ICO) makes no progress during this week's talks about the future of the coffee agreement, quotas could be suspended from October, sparking an immediate collapse in robusta prices.

The outlook is particularly bleak for cocoa, suggests the report. The Ivory Coast's unilateral stockpiling is "virtually the only block to total collapse." But it finds some evidence that the Ivory Coast's old minimum price of FFr 1,200 per kilogram (£1,100 a tonne) is being less rigidly applied.

In addition, the prospect of sales from the ICCO's 250,000 tonne buffer stock looms against a background of five years of overproduction. The ICCO needs $15m a year to finance the stock, and it is not allowed to borrow money.

The EIU report's food and beverages section also includes grains, oilseeds, sugar and tea. A section on industrial raw materials includes crude oil aluminium, copper, lead nickel, tin, zinc, cotton and rubber.

**COMMODITY PRICE FORECASTS**
(Cents per lb)

| | 1990 | 1989 | 1988 |
|---|---|---|---|
| Aluminium | 76.1 | 87.1 | 107.4 |
| Copper | 90 | 125 | 117.3 |
| Lead | 27 | 30 | 30 |
| Nickel | 610 | 740 | 625 |
| Tin | 403 | 388 | 326 |
| Zinc | 52.5 | 68 | 55.9 |
| Rubber | | 51.4 | 53.7 |
| Cocoa | 57.5 | 64.5 | 71.9 |
| Coffee | | 122 | 116 |
| Sugar | 10.63 | 11.5 | 10.19 |
| Soyabean oil | 390 | 411 | 463 |
| Crude oil* | 17 | 17.38 | 14.97 |

* Brent blend, $ per barrel

Source: The Economist Intelligence Unit

The report concentrates on the fundamental supply and demand picture for each commodity, and then gives its price forecast.

It also contains a new EIU commodity price index – a slimmed down version of the IMF's non-oil commodity price index. This is seen as falling in the next 15 months because prices for raw materials are seen as easing. Aluminium is forecast to be $1,670 a tonne this time next year; copper at 90 cents a lb; and nickel at $5.80 a lb.

The exception is tin, which is seen at more than $4 a lb next year after averaging $3.88 a lb this year.

"For over three years, sales of ITC creditors' collateral in tin depressed prices to below the costs of many producers, who shut up shop. Now that most creditor tin is sold and the rest firmly held, mine production will have to supply a higher share of a demand that is both rising and fairly inelastic to price changes. Prices will have to move up the cost scale to bring this about."

Both consumption and prices of crude oil (which was excluded from the new index because it would have swamped other movements) are predicted to decline further next year, increasing the sensitivity of the market to Opec discipline.

"Success in constraining Opec production would improve the chances of co-operation by the non-Opec producers. The obstacles in the way of a real extension of the Opec cartel are still huge; but so is the need for higher oil prices by a number of Nopec countries – not least the USSR. However, slow demand growth also increases Opec's difficulties."

# Venezuela predicts big rise in agricultural output

By Joseph Mann in Caracas

VENEZUELA'S Government is optimistically predicting that agricultural output will grow by 9 per cent this year – compared with 4.2 per cent in 1988 – thanks to higher official prices for many producers.

But the country will still need to import large volumes of food for human and animal consumption in 1989, and imports could rise sharply since many crop farmers delayed planting until the new government, in office since February 2, raised official prices.

Venezuela always requires imported items such as wheat, cooking oil, sugar, cotton, soyabean flour and sorghum, and this year it will also need maize, and perhaps other goods.

Under an optimistic production scenario developed by the Agriculture Ministry, the country this year will need to spend $707m to import 241,000 tonnes of cooking oils, 1.7m tonnes of sorghum, 18,000 tonnes of rice, 280,000 tonnes of refined sugar, 740,000 tonnes of soyabean flour, 22,000 tonnes of cotton fibre and 93,000 tonnes of maize.

The Government recently announced that it planned to invest $2bn to increase domestic fertiliser production, but until then, the country will continue to import substantial quantities of this product. The Minister of Agriculture, Ms Fanny Bello, said that higher prices were approved recently for 14 agricultural lines, including grains, sugar cane, cocoa, sugar, milk, poultry and pork, and that this incentive should spur new production.

But some Venezuelan farmers are not satisfied, since many business costs have risen sharply under an economic programme announced by the government in mid-February, while others are still awaiting approval for higher minimum prices.

Venezuela's new Government has had to cope with retail shortages of several popular food items, some of which – like coffee – have been missing from markets for months. In some cases, shortages were caused by waves of nervous buying, since many Venezuelans were frightened by rioting earlier this year.

In other cases, crop and livestock farmers delayed any new investments until they obtained official approval for higher minimum prices. Some farmers have been pushing for new prices for over two years.

## WORLD COMMODITIES PRICES

## LONDON MARKETS

COPPER prices soared on the LME in afternoon trading following re-emergent strength on Comex where the chart resistance level of 135 cents a lb was breached for May. But analysts said recent sharp movements in New York appeared to be mainly linked to local activity and jobbing operations rather than any fresh market factors, although the latest rally seemed to have tempered recent bearish sentiment. The strength of copper pulled aluminium prices off their lows, although they closed down on the day. Sentiment continued to be dampened by the unexpected rise in IPAI inventories, which offset the fall in LME stocks and talk that a ship carrying aluminium had sunk off West Africa. Nickel prices also closed down but off the lows. The morning decline was sparked by an unexpected rise of 294 tonnes in LME stocks.

**SPOT MARKETS**

| Crude oil (per barrel FOB) | | + or - |
|---|---|---|
| Dubai | $16 50-6.60z | +0.35 |
| Brent Blend | $18 85-8 95z | |
| W.T.I. (1 pm est)(May) | $20 48-0 53z | +0.51 |

| Oil products (NWE prompt delivery per tonne CIF) | | + or - |
|---|---|---|
| Premium Gasoline | $261-265 | |
| Gas Oil | $155-157 | |
| Heavy Fuel Oil | $90-92 | |
| Naphtha | $175-177 | |

*Petroleum Argus Estimates*

**COCOA £/tonne**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 777 | 767 | 776 | 768 |
| Jul | 791 | 782 | 791 | 780 |
| Sep | 805 | 795 | 805 | 795 |
| Dec | 835 | 827 | 835 | 827 |
| Mar | 824 | 817 | 822 | 818 |
| May | 826 | 817 | 823 | 817 |
| Jul | 830 | 825 | 830 | 826 |

Turnover 2226 (11064) lots of 10 tonnes

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | | Ring turnover 31,075 tonne |
| Cash | 2045-55 | 2095-100 | | 2025-30 | | |
| 3 months | 2008-10 | 2038-40 | 2055/1975 | 1990-5 | 2000-5 | 29,182 lots |
| **Copper, Grade A (£ per tonne)** | | | | | | Ring turnover 38,950 tonne |
| Cash | 1873-8 | 1808-13 | | 1820-1 | | |
| 3 months | 1768-70 | 1707-8 | 1769/1716 | 1718-20 | 1768-9 | 70,587 lots |

## US MARKETS

**CRUDE OIL (Light) 42,000 US galls $/barrel**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| May | 20.43 | 20.02 | 20.48 | 19.91 |
| Jun | 19.49 | 19.21 | 19.54 | 19.11 |
| Jul | 18.86 | 18.70 | 18.93 | 18.61 |
| Aug | 18.39 | 18.29 | 18.46 | 18.23 |
| Sep | 18.04 | 17.99 | 18.10 | 17.90 |
| Oct | 17.83 | 17.75 | 17.87 | 17.70 |
| Jan | 17.27 | 17.24 | 17.30 | 17.20 |

## Chicago

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 719/0 | 711/6 | 724/4 | 704/4 |
| Jul | 730/6 | 722/0 | 735/0 | 715/0 |
| Aug | 731/4 | 722/6 | 735/0 | 715/0 |
| Sep | 721/0 | 712/6 | 725/0 | 708/0 |
| Nov | 719/4 | 711/2 | 723/0 | 707/4 |

## LONDON STOCK EXCHANGE

# Interest rate worries unnerve equities

Worries over the possibility of another rise in UK interest rates and growing concern over some important domestic and international economic data due later this week combined to leave London's equity market in rather a sorry state yesterday. The FT-SE 100 share index, posting its fourth successive decline, retreated 20.7 to 2,025.0.

Blue chips looked to have ridden out last week's storm as the market opened with the FT-SE up a point or so and turnover relatively subdued. But sellers soon appeared, and share prices commenced a general decline which at one point looked like developing into a rout. The catalyst for the increased selling, which began in the middle of the morning, came from the latest economic news in the form of UK's input and output prices for March.

The figures were not wholly unexpected but were said by dealers to have been used as the reason for the decline which intensified just before midday. The FT-SE's lowest reading came at 11.42am when the index showed a 30.8 fall. Thereafter, it staged another rally, settling eventually at 2,025 exactly, to show a decline of 57.8 points over the past four trading sessions.

Many economists saw nothing too sinister in the latest input and output figures. "They were certainly not as bad as the reaction in the market would suggest," said one. "If anything they are consistent with the Chancellor's stated strategy, but the market is in a bearish mood," he added.

Analysts took the view, however, that "the markets now seems prepared for some bad news on inflation at the end of the week." A figure of eight per cent is now the accepted norm and would not cause any major fuss, said one, but anything in excess of that figure most certainly would. "I get the feeling we are being softened up for a rise to 14 per cent on interest rates," he said.

Equity market traders were surprised at the extent of the mid-session weakness in the market yesterday. "This market is being led by the futures. We knew the marketmakers were nursing big positions, but there didn't seem to be that much in the way of institutional selling. They are obviously nervous ahead of Friday's US trade figures and the UK inflation numbers."

Traders also noted the relatively low level of turnover – 406.1m shares yesterday compared with Friday's 475.7m and Thursday's programme trade-inflated 758.3m.

Of the FT-SE 100 stocks only seven were ahead at the close, with the international issues including Beecham, Reuter and Welcome well supported. But interest rate worries hit the building sector hard, while doubts whether the Minorco bid will succeed saw Consolidated Gold Fields sharply lower.

**Account Dealing Dates**

| | | | |
|---|---|---|---|
| First Dealings: | Apr 3 | Apr 17 | May 8 |
| Option Declarations: | Apr 13 | May 4 | May 18 |
| Last Dealings: | Apr 14 | May 5 | May 19 |
| Account Day: | Apr 24 | May 15 | May 30 |

*New time dealings may take place from 9.00 am two business days earlier.

### FINANCIAL TIMES STOCK INDICES

| | Apr 10 | Apr 7 | Apr 6 | Apr 5 | Apr 4 | Year Ago | 1989 High | 1989 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 86.16 | 86.06 | 86.54 | 86.70 | 87.10 | 91.05 | 89.29 (6/2) | 86.06 (7/4) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 97.16 | 97.24 | 97.48 | 97.66 | 97.82 | 97.81 | 99.59 (16/3) | 95.93 (4/1) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary | 1669.4 | 1683.0 | 1684.2 | 1705.4 | 1708.4 | 1433.8 | 1761.1 (14/3) | 1447.8 (3/1) | 1926.2 (16/7/87) | 49.4 (26/6/40) |
| Gold Mines | 187.2 | 189.0 | 186.9 | 191.0 | 190.4 | 221.3 | 198.1 (28/3) | 154.7 (17/2) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| Ord. Dl. Yield | 4.61 | 4.58 | 4.55 | 4.50 | 4.49 | 4.49 | | | | |
| Earning Yld %(full) | 11.21 | 11.05 | 11.03 | 10.90 | 10.85 | 11.75 | | | | |
| P/E Ratio(Net)(*) | 10.76 | 10.92 | 10.94 | 11.08 | 11.13 | 10.44 | | | | |
| SEAQ Bargains(5pm) | 24,973 | 25,295 | 32,830 | 35,919 | 43,583 | 25,715 | | | | |
| Equity Turnover(£m)† | - | 1484.28 | 1682.13 | 1113.93 | 1277.70 | 907.55 | | | | |
| Equity Bargains† | - | 30,098 | 39,844 | 46,084 | 52,224 | 26,795 | | | | |
| Shares Traded (ml)† | - | 570.6 | 650.0 | 487.6 | 507.8 | 378.1 | | | | |

**Ordinary Share Index, Hourly changes**

| Opening | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|
| 1685.1 | 1681.6 | 1668.9 | 1668.5 | 1682.7 | 1664.5 | 1657.8 | 1667.2 |

DAY'S HIGH 1685.1 DAY'S LOW 1658.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ‡Nil 10.66 †Excluding intra-market business. * Corrected figure.

**S.E. ACTIVITY**

| Indices | Apr 7 | Apr 6 |
|---|---|---|
| Gilt Edged Bargains | 102.6 | 106.1 |
| Equity Bargains | 195.0 | 258.2 |
| Equity Value | 3020.3 | 3400.0 |
| 5-Day average | | |
| Gilt Edged Bargains | 105.7 | 104.9 |
| Equity Bargains | 276.4 | 298.6 |
| Equity Value | 2863.5 | 2855.3 |

● London Report and latest Share Index: Tel. 0898 123001

# Views on Rolls NEI deal

Marketmakers and analysts had been expecting Rolls Royce's agreed takeover offer for NEI. Many, however, had anticipated a 150p price, against the 128p offered by the share exchange terms, and the consensus was that Rolls Royce shareholders would benefit more from the deal. Marketmakers pointed out that the number of Rolls shares being issued would stimulate overseas buying; under the deal, the present foreign-held stake would be diluted from its 15 per cent ceiling to 12 per cent. Rolls closed 4 lower at 179p in turnover of 6.1m shares, while NEI put on 2 to 127½p. During last month's bid speculation the NEI price edged over the 140p mark.

Mr Brian Newman, analyst at Henderson Crosthwaite, is recommending NEI shareholders to reject the offer. "The exit p/e of just over 13 is too low for what is the last of the independent power plant manufacturers," he said. Several institutional shareholders had voiced their concern that the offer was too cheap, he added.

This point of view was backed by Mr John McGee at Warburg Securities. "The price for NEI is too low. It produces a climate for someone else to come in with a higher bid." Possible predators mentioned in the market were European giants Asea Brown Boveri and Siemens.

On the other hand, Mr Ian Wild at BZW said that NEI shareholders had no choice but to accept. "The company has received no other approaches for the last six months." Another broker argued that the p/e was average for the sector and that the price was fair, given that NEI had no niche markets.

## Gold doubts

There was an air of confusion in the market in Consolidated Gold Fields shares after the expected increased offer from the South African-backed Minorco was announced at the start of trading. By the close Gold Fields shares were 55 down at 1340p with turnover reaching 4.2m shares.

The increased offer – from £3.2bn to £3.5bn via terms of one new Minorco share plus £23.50 in cash for every two Consolidated Gold fields shares – saw Consgold shares marked up by marketmakers to 1475p at the outset. But there was no appetite in the market for the shares at this level, and the price ran into some heavy and persistent selling.

"We were bemused by the selling pressure, we kept being hit all the way down, at around 20 points a time," said one top trader. "The share price is telling us they (Minorco) won't win and that institutions are selling in the market in case they don't."

Some analysts were taking the view that Minorco could well get acceptances of over 50 per cent (including their own near 30 per cent).

## Switch advised

Inchcape beat most market forecasts when turning in annual profits of £147.7m compared with the previous year's £116.2m – and a generous increase in the dividend payment. However, the resumption of the wider market weakness, coupled with analyst's negative assessments about Inchcape's prospects, restrained the shares which eventually slipped 4 to 353p.

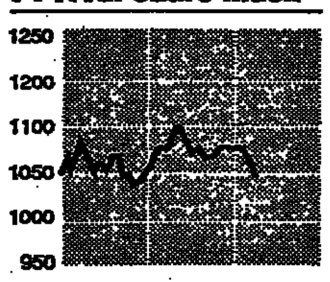
Hoare Govett researchers are not anticipating any major change in their forecast of £168m for the current year. They believe the outlook for UK motor sales must be quite limited, even if sales are currently up on 1988; also, the restructuring of UK insurance business Bain Clarkson will take time.

Still not a demanding rating, said the Hoare team, but another case of dead money. "The shares have less to offer on the dividend front than Harrisons & Crosfield and, although they still merit a hold, traders should sell the stock, and maybe switch into Harrisons ahead of the results on May 3."

Stocks with strong international activities outperformed the market, especially after Wall Street opened. Pharmaceuticals were well supported on the back of interest generated by the Beecham/SmithKline Beckman merger talks. Glaxo, 5 off at one point, ended 10 ahead at 1335p. Wellcome put on 9 at 487p and Beecham closed 4 to the good on 599p.

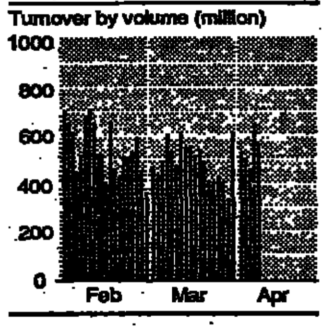
A block of 9¾m Smith and Nephew shares moved through Seaq before the market opened. A three month moratorium on the sales of SN shares, received when SN bought US-venture Ioptex, expired. They were placed at a slight discount. By the close 14m shares had changed hands and the price had softened a penny to 140p.

**FT-A All-Share Index**



**Equity Shares Traded**

Turnover by volume (million)



Unilever held firm at 917p in a turnover of 1.2m. The company announced it is to set up a top-management task-force to expand its global food business. Reuter was bought throughout the day and closed 6 ahead at 686p. Dealers cited the opening of a new Reuter office in the US as a contributory factor.

The energy sector did not escape the market slide. Marginally easier crude prices and general lack of interest saw the majors drift down throughout the session. But Shell were helped by talk of some big switching in the US from Exxon into Shell and Royal Dutch; Shell settled 4 off at 378p after 2.3m shares changed hands. County NatWest WoodMac's positive stance on British Gas helped the shares harden to 179½p on 6.1m.

Morgan Grenfell dropped 11 to 278p on speculation that Australian entrepreneur Mr Alan Bond had sold his near 9 per cent stake.

Highland Distilleries brought a ray of sunshine to a gloomy drinks sector. The shares climbed 9 to 187p after the company reported a 38 per cent improvement in half-year profits to £10.1m, a figure that was some £1.5m more than most analysts' forecasts.

The prospect of dearer money and a consequent further rise in mortgage rates exerted downward pressure on most housebuilders. George Wimpey were worst hit with a fall of 10 to 278p, while Barratt Developments lost 5¼ to 185p and Federated Housing 8 to 220p.

Construction and cement issues also succumbed. Tarmac retreated 9 to 292p and RMC, rated by County NatWest WoodMac yesterday as the "best positioned stock in the sector," fell 12 to 652p; the preliminary statement is due tomorrow. Higher annual profits failed to support John Mowlem, down 7 at 429p, but Taylor Woodrow showed resistance awaiting today's full-year figures and eased only 3 to 608p. County analysts call TW a "superb long term investment."

Of the few stocks to move against the trend, Breedon hardened to 138p after doubled profits and Needler continued to advance, gaining 4 more to 90p, still in anticipation of good results on Thursday.

Among Stores weakened by fears of a further rise in interest rates, Kingfisher stood out with a 2-point gain to 273p on turnover of 1.1m shares. There were no specific reasons proffered by dealers for the outperformance, but some pointed to the dominant position of subsidiary D&Q in the diy market. B&Q is thought to be holding bearing up well in the current diy price war.

Kingfisher's sizeable property assets were also mentioned as a possible attraction to investors, as was the defensive merit of the stock. As one analyst said: "People are looking around for stocks that are not going to be desperately hurt by a 'hard landing' of the economy; Kingfisher could be one such stock."

Next was the subject of market talk ahead of today's final profits figures. Although most broking houses are looking for earnings in the region of £65m or £70m, a few dealers privately voiced fears that Next could spring a nasty surprise. Next closed a shade easier at 142p, buoyed by bullish comment in the weekend press.

Shoe manufacturer Lambert Howarth jumped 23 to 173p after receiving an unwanted £9.3m offer from consumer products group Peter Black (down 5 at 170p). Traders expect Lambert Howarth to fight hard to retain its independence, and are looking to Futura Holdings, the footware and rubber compounds group which last week bought 5.66 per cent of Lambert Howarth, to play a major role any bid battle.

Gateway continued to attract interest on the back of the long-running management buy-out story. After opening firmer in the wake of some bullish weekend press comment, profit-takers stepped in and the price fell with the market to close 1½ lighter at 176p on turnover of 5.7m shares.

Asda were also heavily traded, ending the day 3 to the good at 149p as 3.3m shares changed hands. City analysts are due to visit Asda's distribution centre in Lutterworth and a revamped store in Leicester today, with institutions following in their footsteps later in the week. Tesco, which reports annual figures tomorrow, closed 2 easier at 151p on turnover of 2.6m shares.

Hoare Govett yesterday upgraded its current year profits forecast for Trafalgar House to £260m from £252m, and lifted the eps estimate 13 per cent to 41.3p. Mr David Ireland said that commercial property was performing well and that the QE2 liner was about to start on a series of Japanese charters. "The maximum hit from a dock strike is only about £½m," he added. The stock held firm at 363p.

Blue Arrow shed ½ to 91½p as one top securities house was preparing a profits downgrade to be published this morning. The basis for the change in view is that the £25m loan revealed last week would have to be written off and that the company would incur increased interest charges as a result.

Full-year profits from Sema crumbled to £2.6m from £8.3m. But the market had discounted the news and the shares closed a penny firmer at 290p. One marketmaker said that continuing talk of a bid from French software house Cap Gemeni Sogeti buoyed the price.

Oceonics were a good market following press comment and touched 22p before settling back to show a net rise of 1 at 20p. Amstrad showed that there is life after leaving the FT-SE 100, attracting bargain hunters from both sides of the Atlantic. "At around £1.40, there's not much downside," said a marketmaker. The stock closed 2 stronger at 139p as turnover reached 2.1m shares.

News that Mr George Martin had become Pavilion Leisure's new chief executive boosted the shares 34 to 167p, after 170p. Cautious comment from County NatWest WoodMac undermined Mecca Leisure ahead of tomorrow's annual results. The stock shed 16 to 174p, closed off the lowest of the day.

Addison Consultancy continued to trade heavily – turnover reached 1.2m shares – but the buying was satisfied and the price remained at 42¾p. VPI turned dull, losing 6 to 174p, on speculation that BZW, the securities house, was about to downgrade the stock because of the adverse effect of falling first-quarter volumes in the US.

USM-listed Accord Publications reacted badly to lower profits. the shares dropping 15 to 90p despite news that the board was looking forward with confidence to a "much improved outcome" for the current year.

A couple of financial trusts provided rare splashes of colour. A good trading statement, which included expansion by acquisition plans, put Renaissance up 5 to 96p, while Biotechnology Investments were raised 6 to 88p in a thin market.

Dealings in the FT-SE 100 Index again captured some one-third of business in traded options, on a total of 12,743 contracts, out of the market total of 39,108, with around two-thirds of the transactions in the index and the totallying on the call side. British Steel and BP were the most heaviest traded of the individual options stoc.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 29

### TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

| Stock | Volume 000's | Closing Price | Day's change | Stock | Volume 000's | Closing Price | Day's change | Stock | Volume 000's | Closing Price | Day's change | Stock | Volume 000's | Closing Price | Day's change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ASDA Group | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Allied-Lyons | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Amstrad | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Argyll Group | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Ass. Brit. Foods | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BAA | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BAT | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BET | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BICC | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BOC | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BPB Inds. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BTR | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Barclays | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Bass | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Beecham | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Blue Circle | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Boots | 1,800 | 259 | -6 | GUS A | 181 | 986 | -11 | P & O | 469 | 665 | -2 | TSB | 1,500 | 114 | -1 |
| Brit. & Comm. | 643 | 205 | -2 | GEC | 849 | 203 | -4 | Pilkington | 1,900 | 239 | -5 | Tarmac | 1,100 | 292 | -9 |
| Brit. Aerospace | 414 | 547 | -7 | GKN | 1,000 | 347 | -4 | Plessey | 607 | 255 | -2 | Tate & Lyle | 345 | 227 | -2 |
| British Airways | 851 | 196 | -1 | Guinness | 2,080 | 441 | -4 | Polly Peck Intl. | 458 | 317 | +3 | Taylor Woodrow | 61 | 608 | -3 |
| British Gas | 6,100 | 179½ | +1 | Hammerson 'A' | 76 | 787 | -5 | Prudential | 2,100 | 176 | -4 | Tesco | 2,600 | 151 | -2 |
| British Land | 757 | 360 | -1 | Hanson | 1,300 | 179½ | -2 | Racal | 2,000 | 375½ | -3½ | THORN EMI | 1,100 | 669 | -11 |
| BP | 5,100 | 275 | -2½ | Harrisons & Cros. | 66 | 736 | | Rank Org. | 222 | 912 | -5 | Trafalgar House | 1,600 | 363 | |
| British Steel | 7,500 | 82¼ | -½ | Hawker Siddeley | 368 | 639 | -4 | RHM | 650 | 376 | -5 | Trusthouse Forte | 2,200 | 285 | -5 |
| British Telecom | 3,200 | 268 | -7 | Hillsdown Hldgs | 1,700 | 263 | -3 | RMC | 263 | 652 | -12 | Ultramar | 957 | 287 | -1 |
| Burmah Oil | 341 | 528 | -6½ | IMI | 374 | 215 | -3 | Reckitt & Colman | 481 | 1056 | -3 | Unilever | 1,300 | 517 | |
| Burton | 1,900 | 202 | -5 | Imp. Chem. | 1,000 | 1166 | -1 | Redland | 340 | 522 | -5 | United Biscuits | 722 | 312½ | -2½ |
| Cable & Wireless | 3,100 | 458 | -13 | Inchcape | 717 | 253 | -4 | Reed International | 581 | 395 | -5 | Utd. Newspapers | 791 | 439 | -3 |
| Cadbury Schweppes | 1,500 | 338 | -5 | Jaguar | 210 | 380 | | Reuters 'B' | 571 | 686 | +6 | Wellcome | 988 | 486½ | +8½ |
| Carlton Comm. | 302 | 848 | -18 | Kingfisher | 1,100 | 273 | +2 | RTZ | 1,600 | 525 | -10 | Whitbread 'A' | 376 | 349 | -3½ |
| Commercial Union | 1,500 | 374½ | -1½ | Ladbroke | 896 | 527 | -4 | Rolls Royce | 6,100 | 179 | -3½ | Williams Hldgs. | 481 | 261 | -3 |
| Cons. Gold Fields | 4,150 | 1340 | -55 | Land Securities | 281 | 557 | -5 | Rothmans | 126 | 479 | -5 | Wimpey | 1,000 | 278 | -10 |

### NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (66).

BRITISH FUNDS (1) Treas. 2pc IL 1990, LOANS (1) Nationwide Anglia 9 5/8pc 17.4.89, Do. 9 1/2pc 8.5.89, AMERICANS (11) CANADIANS (1) Trans Can. Pipe, BANKS (3) B'caire Cie, Capital Leasing, TSB Channel Islands, BREWERS (2) Highland Dists., Macallan-Glenlivet, BUILDINGS (1) Needler Grp., CHEMICALS (1) Akzo, STORES (2) Dunhill Hldgs., Lanca, ELECTRICALS (6) ENGINEERING (2) Camford Eng., Cauldon Grp., FOODS (1) M6 Cash & Carry, INDUSTRIALS (16) Alfa-Laval AB "B", Bardsey, Elkem AS, Feedex Agric., Harris (Ph.), Hewtal Whiting, Hunleigh Tech., ISA Intl., Jackson Bourne, Johnson Cleaners, Marling Inds., Oy Wartsila, Portmeirion Pots., RCO, Sotheby's Hldgs. Inc. Class "A", Wassall, INSURANCE (4) LEISURE (2) PAPERS (2) Addison Consult., Ogilvy Grp., PROPERTY (3) SHOES (1) Lambert Hth., SOUTH AFRICANS (1) Anglo Amer Inds., TRUSTS (5) OILS (1) Tuskar Res., OVERSEAS TRADERS (1) Cons Alex Corp., MINES (7) THIRD MARKET (2) Kelle Mins., Medirace,.

NEW LOWS (118).

BRITISH FUNDS (71) LOANS (1) Nationwide Anglia 12 3/8pc 29.1.90, CANADIANS (1) Augmitto Expln., BANKS (3) Guinness Mahon, Morgan Grenfell, Sumitomo Bank, BREWERS (1) Scott. & New., BUILDINGS (1) Bellwinch, STORES (4) ELECTRICALS (7) ENGINEERING (1) Hopkinsons, FOODS (8) Barr (A.G.), Borthwicks, INDUSTRIALS (8) Bodycote Intl., De La Rue, Hewitt (J.), Sale Tilney, Suter, Wills Grp., INSURANCE (1) Allied Ins. Grp., LEISURE (2) Prestwich, Prism Leis., PAPERS (3) DRG, SPS Consult., Smith (David S.), PROPERTY (5) TEXTILES (2) Leeds Grp., Tomkinsons., TRUSTS (3) Clayton Robard, Perpetual, MINES (3) Gencor, Monarch Res., Paragon Res., THIRD MARKET (2) Eglinton Expln, Petrim Mining.

## APPOINTMENTS

# Philips finance director

■ Mr Michael Anthony Inwards has been appointed financial director of the Philips UK organisation, and a director of PHILIPS ELECTRONIC & ASSOCIATED INDUSTRIES. He was managing director of finance and administration in the electronics components product division of Philips International in Holland.

■ Mr David Butcher has been appointed to the main board of SAVE & PROSPER GROUP.

■ Mr Norman Boyd has been appointed director and general manager of the spring division of THE TWIL GROUP. He was managing director of Babcock Robey.

■ REEDPACK has appointed Mr Robert McGowan as group treasurer. He joins from Vickers where he held a similar post.

■ Mme Marie Josee Drouin has been appointed a director of STANDARD LIFE ASSURANCE COMPANY following the retirement of Mr G. Drummond Birks. Mme Drouin is executive director of the Hudson Institute of Canada, and a non-executive director of the Canadian Imperial Bank of Commerce, Philips Canada Inc, and Seagram Co.

■ Mr Michael W. Butcher has been appointed managing director of Helical Property Services, newly-formed construction subsidiary of HELICAL BAR.

■ Mr Sandy Higgins has been appointed financial director of WAVIN BUILDING PRODUCTS, Chippenham. He was a senior financial consultant with Peat Marwick McLintock.

■ MILLICOM CELLULAR (UK) has appointed Mr Peter Scrope as deputy chairman, and Mr Robin Bromley-Martin as managing director.

■ Mr Peter Sydney-Smith has been appointed finance director and company secretary of BRITISH GYPSUM, Nottingham, part of BPB Industries. He succeeds Mr O.V. Black who has retired.

■ Mrs Danielle Gross has been appointed to the board of SYDNEY & LONDON PROPERTIES, a partnership between the FAI Insurance Group of Australia and the Gross Hill Properties Group.

■ ROYAL TRUST BANK, London, a wholly-owned subsidiary of Royal Trustco, Canada, has promoted Mr Michael Brierley to senior associate director, finance; Mr Steve Barlow to divisional director, investment banking; and Mr Paul Brunning to divisional director, property finance.

# George Martin becomes chief executive of Pavilion Leisure

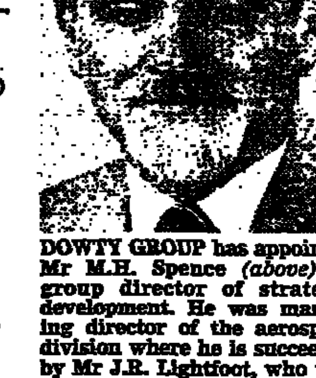
■ Mr George Martin has been appointed chief executive of PAVILION LEISURE. Formerly chairman and chief executive of Pleasurama, and for the last two years chief executive of LandLeisure, Mr Martin has secured options to purchase 1m ordinary shares in Pavilion Leisure at 135p each from a number of shareholders.

■ Mr Anthony Gaynor has been appointed managing director of FORREC (EUROPE) - a joint company formed between Sibec Developments and Forrec International Corporation, Toronto. He was managing director of Heritage Products.

■ Mr Richard H. Pain has been appointed chairman of the WALTHAMSTOW BUILDING SOCIETY. He is an actuary, formerly a partner with stockbrokers Capel Cure Myers and chairman of the academic panel of the Financial Times World Index. He succeeds Mr Leonard Murphy who becomes vice chairman.

■ Mr Neil Chisman has been appointed finance director of STAKIS from June 1 in succession to Mr Frank O'Callaghan who is retiring but remains with the company as an adviser until October. Mr Chisman was finance director of Underwoods.

■ Mrs Ann V. Hacker has been appointed to the new post of chief executive officer of BIOCOMPATIBLES. She was on the Glaxo Pharmaceuticals UK board, with responsibility for Allen & Hanburys.



DOWTY GROUP has appointed Mr M.H. Spence *(above)* as group director of strategic development. He was managing director of the aerospace division where he is succeeded by Mr J.R. Lightfoot, who was managing director of Dowty Rotol. Mr G.W.S. Lockyer, production director, succeeds Mr Lightfoot. The group has established a polymer engineering group which will be headed by Mr K. Tofield. He joined the group with the acquisition of Woodville Polymer where he was chief executive.

# FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

## AUTHORISED UNIT TRUSTS

## GUIDE TO UNIT TRUST PRICING

**INITIAL CHARGES**
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

**OFFER PRICE**
The price at which units may be bought.

**BID PRICE**
The price at which units may be sold.

**CANCELLATION PRICE**
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

**TIME**
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ✠ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ● - 1701 to midnight.

**HISTORIC PRICING**
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

**FORWARD PRICING**
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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# FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Windsor Trust Mngrs Ltd (1200)F** | | | | | | |
| 83 Kingsway, London, WC2B 6SD 01-405 8331 | | | | | | |
| Convtbl & Equity | 5 | 63.09 | 65.85 | 70.05 | -0.28 | 5.48 |
| European | 5 | 60.95 | 61.50 | 65.43 | -0.20 | 0.22 |
| Far Eastern | 5 | 56.92 | 56.99 | 60.63 | +0.34 | 0.97 |
| Growth Inc | 5 | 87.26 | 90.38xd | 96.15 | -2.98 | 2.49 |
| Growth Acc | 5 | 87.26 | 90.38xd | 96.15 | -2.98 | 2.49 |
| Income Inc | 5 | 80.40 | 82.18 | 87.42 | -1.54 | 3.65 |
| Income Acc | 5 | 80.40 | 82.18 | 87.42 | -1.54 | 3.65 |
| Property Share | 5 | 54.64 | 54.64 | 58.23 | -0.33 | 1.15 |
| Smaller Co's | 5 | 62.28 | 62.28 | 66.25 | — | 1.47 |
| Formerly RBC Trust Managers Ltd | | | | | | |
| Nth American | 5 | 54.63 | 54.63 | 58.42 | — | 1.06 |
| International | 5 | 43.69 | 43.69 | 46.71 | — | 1.52 |
| **Wright Seligman Fund Mngrs Ltd (1000)H** | | | | | | |
| 11 Blomfield St, London EC2M 7AY 01-588 0592 | | | | | | |
| Growth | 5 | 94.88 | 94.88 | 99.88 | — | 2.92 |
| Weekly dealing day Tuesday | | | | | | |
| **The Yorkshire Unit Tst Mngrs Ltd (1100)F** | | | | | | |
| Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250 | | | | | | |
| Yorkshire General | 5¼ | 61.35 | 63.71 | 67.78 | -0.15 | 3.01 |
| YUTM Int Eqty Inc | 5¼ | 58.61 | 60.67xd | 64.54 | -0.34 | 4.73 |
| YUTM Ind Gath Tst | 5¼ | 46.88 | 46.88xd | 50.06 | +0.32 | 1.89 |

## OTHER UK UNIT TRUSTS

| | | | | |
|---|---|---|---|---|
| **Baillie Gifford & Co Ltd** | | | | |
| Int'l Expt Feb 15 | 428.8 | 445.3 | — | — |
| **Cent. Bd. of Fin. of Church of England‡‡** | | | | |
| 2 Fore Street, London EC2Y 5AQ 01-588 1815 | | | | |
| Inv Fund Mar 31 | 498.00 | | — | 4.76 |
| Fxd Int Sec Mar 31 | 142.20 | | — | 10.06 |
| Deposit Mar 31 | 100.00 | | — | 12.56 |
| **Charities Official Invest. Fund‡‡** | | | | |
| 2 Fore Street, London EC2Y 5AQ 01-588 1815 | | | | |
| Income Mar 31 | 472.94 | | — | 5.05 |
| Accum Mar 31 | 1541.14 | | — | — |
| **Edinburgh Fund Mngrs PLC** | | | | |
| Exempt Funds | | | | |
| American Apr 5 | 125.3 | 128.7 | +9.6 | 1.75 |
| Managed Apr 5 | 127.6 | 132.4 | -0.1 | 2.17 |
| Japan Apr 6 | 139.7 | 143.5 | +3.2 | 0.10 |
| Pacific Apr 7 | 426.5 | 438.2 | +3.5 | 0.3 |
| Sm Jap Cos Apr 7 | 259.2 | 266.3 | -4.5 | 0.10 |
| **Fidelity Investment Services Ltd** | | | | |
| Mngd Pens P'follo | 114.3 | 117.4 | -0.90 | 1.68 |

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Allied Dunbar Assurance Plc** | | | | |
| Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514 | | | | |
| Fixed Int. Dep. Acc | 257.4 | 271.0 | +0.1 | — |
| Equity Acc | 815.9 | 858.9 | -2.5 | — |
| Property Acc | 485.7 | 511.3 | +0.1 | — |
| Far East Acc | 195.6 | 205.9 | +0.4 | — |
| European Acc | 21.2 | 22.4 | +0.1 | — |
| Managed Acc | 646.1 | 680.2 | -1.6 | — |
| Managed Cap | 367.7 | 387.1 | -0.9 | — |
| O'seas Earnings Acc | 542.2 | 570.8 | -3.9 | — |
| Gilt Edged Acc | 310.8 | 327.2 | -1.6 | — |
| American Equity Acc | 415.5 | 437.4 | +2.4 | — |
| American Man. Acc | 193.7 | 203.9 | +1.1 | — |
| American Prop Acc | 139.2 | 146.6 | +0.7 | — |
| Pen. F.I. Dep. Cap | 283.4 | 298.4 | +0.2 | — |
| Pen. F.I. Dep. Acc | 482.6 | 508.0 | +0.5 | — |
| Pen. Prop. Cap | 569.1 | 599.2 | +0.1 | — |
| Pen. Prop. Acc | 1069.7 | 1126.0 | | — |
| Pen. Man. Cap | 790.0 | 831.6 | +3.2 | — |
| Pen. Man. Acc | 1484.2 | 1562.3 | +6.0 | — |
| Pen. Gilt Edg. Cap | 312.1 | 328.6 | -1.3 | — |
| Pen. Gilt Edg. Acc | 479.3 | 504.6 | -1.8 | — |
| Pen. Eq. Cap | 1290.2 | 1358.2 | +6.1 | — |
| Pen. Eq. Acc | 1837.7 | 1934.5 | +9.2 | — |
| Pen. Am. Eq Cap | 131.7 | 138.7 | +1.0 | — |
| Pen. Am. Eq Acc | 158.1 | 166.5 | +1.3 | — |
| Pen. Far East Cap | 233.1 | 245.4 | -0.5 | — |
| Pen. Far East Acc | 279.8 | 294.6 | -0.5 | — |
| Pen. Euro Cap | 23.8 | 25.1 | +0.1 | — |
| Pen. Euro. Acc | 25.7 | 27.1 | +0.1 | — |
| Pen. B.S. Acc | 527.1 | 555.5 | +0.6 | — |
| Pen. B.S. Cap | 318.2 | 334.2 | +0.3 | — |
| Pen. D.A.F. Acc | 369.7 | 369.7 | +0.4 | — |
| Pen. D.A.F. Cap | 250.5 | 250.5 | +0.1 | — |
| Pen. Mortgage Cap | 142.4 | 149.9 | +0.2 | — |
| Pen. Mortgage Acc | 170.9 | 179.9 | +0.2 | — |
| Baring Funds | | | | |
| Pen Equ Cap | 26.6 | 28.1 | -0.2 | — |
| Pen Equ Acc | 27.6 | 29.1 | -0.1 | — |
| Pen Am Eq Cap | 28.8 | 30.4 | +0.3 | — |
| Pen Am Eq Acc | 29.9 | 31.5 | +0.3 | — |
| Pen Far East Cap | 29.5 | 31.1 | — | — |
| Pen Far East Acc | 30.5 | 32.2 | +0.1 | — |
| Pen Euro Cap | 32.4 | 34.2 | +0.2 | — |
| Pen Euro Acc | 33.6 | 35.4 | +0.2 | — |
| James Capel Funds | | | | |
| Pen Equ Cap | 28.0 | 29.5 | -0.2 | — |
| Pen Equ Acc | 28.9 | 30.5 | -0.2 | — |
| Pen Am Eq Cap | 28.7 | 30.3 | +0.1 | — |
| Pen Am Eq Acc | 29.7 | 31.3 | +0.1 | — |
| Pen Far East Cap | 29.3 | 30.9 | +0.2 | — |
| Pen Far East Acc | 30.4 | 32.0 | +0.2 | — |
| Pen Euro Cap | 29.2 | 30.8 | — | — |
| Pen Euro Acc | 30.3 | 31.9 | +0.1 | — |

## INSURANCES

Continued on next page

# FT UNIT TRUST INFORMATION SERVICE

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| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| **Pioneer Mutual Insurance Co Ltd** | | | | |
| 16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655 | | | | |
| Managed Fund | 293.4 | 308.9 | ...... | − |
| Man Pens Inc & Cap Fds | 384.9 | 405.2 | ...... | − |
| Money Fund | 118.2 | 124.5 | ...... | − |
| Pens Mngd Fd (Init) | 102.0 | 107.4 | ...... | − |
| Pens Mngd Fd (Acc) | 122.3 | 128.8 | ...... | − |
| Pens FT30 Fd (Init) | 142.6 | 150.2 | ...... | − |
| Pens FT30 Fd (Acc) | 170.9 | 179.9 | ...... | − |
| Pens O'seas MgFd (Init) | 71.7 | 75.5 | ...... | − |
| Pens O'seas MgFd (Acc) | 86.0 | 90.6 | ...... | − |
| Pens Fxd Int Fd (Init) | 104.4 | 109.9 | ...... | − |
| Pens Fxd Int Fd (Acc) | 125.2 | 131.8 | ...... | − |
| Pens Deposit Fd (Init) | 104.1 | 109.6 | ...... | − |
| Pens Deposit Fd (Acc) | 124.7 | 131.3 | ...... | − |
| **Premium Life Assurance Co Ltd** | | | | |
| 37-39, Perrymount Road, Haywards Heath 0444 458721 | | | | |
| American | 112.0 | 118.0 | +1.0 | − |
| Building Soc. Fd | 169.0 | 178.0 | ...... | − |
| Balanced | 273.0 | 288.0 | −1.0 | − |
| European | 158.0 | 167.0 | ...... | − |
| GT Managed | 175.0 | 185.0 | ...... | − |
| Gartmore Mngd | 112.0 | 118.0 | ...... | − |
| German | 107.0 | 113.0 | ...... | − |
| Gilt | 175.0 | 185.0 | ...... | − |
| Global | 48.0 | 51.0 | ...... | − |
| High Inc | 116.0 | 123.0 | ...... | − |
| International Equity | 181.0 | 191.0 | ...... | − |
| Japan | 239.0 | 252.0 | −1.0 | − |
| Managed | 62.0 | 66.0 | ...... | − |
| Property | 276.0 | 291.0 | ...... | − |
| R. W. Imperial Gold | 134.0 | 142.0 | ...... | − |
| UK Equity | 365.0 | 385.0 | −1.0 | − |
| *Pension Funds* | | | | |
| American | 138.0 | 146.0 | ...... | − |
| Building Soc. Fd | 168.0 | 177.0 | ...... | − |
| Balanced | 212.0 | 224.0 | ...... | − |
| European | 158.0 | 167.0 | ...... | − |
| German | 98.0 | 104.0 | ...... | − |
| Gilt | 148.0 | 156.0 | ...... | − |
| International Equity | 135.0 | 143.0 | ...... | − |
| Japan | 137.0 | 145.0 | ...... | − |
| Managed | 62.0 | 66.0 | −1.0 | − |
| Property | 213.0 | 225.0 | ...... | − |
| UK Equity | 327.0 | 345.0 | −1.0 | − |
| **Prolific Life & Pensions Ltd** | | | | |
| Stramongate, Kendall, Cumbria LA9 4BE 0539 33733 | | | | |
| Managed Fund see Balanced Growth Managed Fund | | | | |
| Balanced Gwth Mngd | 562.7 | 593.0 | −1.4 | − |
| Adventurous Mngd | 116.9 | 124.4 | −0.4 | − |
| Secure Mngd | 106.4 | 112.2 | −0.5 | − |
| Cash Fd | 229.9 | 242.3 | − | − |
| Property Fund | 282.0 | 300.1 | − | − |
| Equity Fund | 616.4 | 655.8 | −1.7 | − |
| Fxd. Int. Fund | 298.1 | 314.2 | −0.8 | − |
| International | 275.5 | 293.1 | +0.5 | − |
| High Income | 463.4 | 493.0 | −4.0 | − |
| Far East | 424.5 | 447.4 | −0.6 | − |
| North American | 243.7 | 259.3 | +0.2 | − |
| Special Sits. | 575.6 | 612.4 | −4.8 | − |
| Technology | 228.3 | 242.9 | +1.3 | − |
| Extra Inc Fd | 274.6 | 292.2 | −3.2 | − |
| Convertible & Gilt Fd | 151.9 | 161.6 | −0 | − |
| American Income | 119.0 | 125.42 | +0.2 | − |
| Gilt Fund 20 | 296.1 | 315.1 | −0.6 | − |
| European Fund | 95.3 | 101.4 | +0.9 | − |
| Pref & Fixed Int | 100.7 | 106.2 | −1.1 | − |
| Balncd Gth Mgd Pens Acc | 536.1 | 564.4 | −0.7 | − |
| Adventurous Mgd Pens Acc | 112.8 | 118.8 | −0.4 | − |
| Secure Mngd Pens Acc | 104.3 | 109.8 | −0.7 | − |
| Building Soc Acc | 239.0 | 251.6 | − | − |
| Property Pens Acc | 287.5 | 302.7 | − | − |
| Fix. Int. Pens. Acc | 394.5 | 415.3 | −0.7 | − |
| Equity Pens Acc | 698.7 | 735.6 | −0.9 | − |
| International Pens Acc | 251.3 | 264.6 | +0.6 | − |

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| **Prudential Holborn Pensions Ltd** | | | | |
| 30 Old Burlington St, London W1X 1LB 01-439 3134 | | | | |
| Managed | 528.1 | 555.9 | −3.1 | − |
| Equity | 756.2 | 796.1 | −0.7 | − |
| Global Equity | 220.4 | 232.0 | +1.2 | − |
| Fixed Interest | 395.4 | 416.3 | −0.9 | − |
| Property | 380.0 | 400.0 | +0.5 | − |
| Cash | 153.1 | 161.2 | +0.1 | − |
| Index Linked Gilt | 193.6 | 203.8 | +0.3 | − |
| Guaranteed | 12.06 | | ...... | − |
| International Money | 196.5 | 206.9 | −0.1 | − |
| North American | 61.4 | 64.7 | +0.8 | − |
| Japanese | 133.1 | 140.2 | −0.5 | − |
| European | 83.9 | 88.4 | +0.3 | − |
| Special Situations | 111.1 | 117.0 | −0.9 | − |
| Communications | 94.5 | 99.5 | −1.2 | − |
| Smaller Companies | 105.4 | 111.0 | −0.5 | − |
| International Small Cos | 117.1 | 123.3 | +0.2 | − |
| **Prudential Pensions Limited** | | | | |
| Holborn Bars, London EC1N 2NH 01-405 9222 | | | | |
| Discretionary Mar 29 | £148.94 | 154.09 | ...... | − |
| Equity Mar 29 | £164.06 | 170.08 | ...... | − |
| International Mar 29 | £23.87 | 24.99 | ...... | − |
| Intl Bond Mar 29 | £11.41 | 11.57 | ...... | − |
| Fixed Int Mar 29 | £71.51 | 72.47 | ...... | − |
| Index Linked Mar 29 | £60.42 | 61.16 | ...... | − |
| Property Mar 29 | £106.30 | 112.70 | ...... | − |
| Cash Mar 29 | £20.4280 | 20.4300 | ...... | − |
| *Pru-Linked Retirement Plan* | | | | |
| Managed Apr 5 | 370.2 | 385.7 | ...... | − |
| Cash Apr 5 | 191.9 | 199.9 | ...... | − |
| *Prudential Pensions Investment Account* | | | | |
| Pens Mngd Apr 10 | 149.0 | 156.9 | −0.1 | − |
| Pens UK Eq Apr 10 | 286.8 | 301.9 | +0.7 | − |
| Pens Intl Apr 10 | 172.6 | 181.7 | −1.7 | − |
| Pens Fixed Apr 10 | 163.1 | 171.7 | −0.2 | − |
| Pens Index Lk Apr 10 | 153.2 | 161.3 | −1.7 | − |
| Pens Cash Apr 10 | 125.5 | 132.2 | ...... | − |
| **Regency Life Assurance Co Ltd** | | | | |
| Regency Hse, Lanark Sq, London E14 9XS 01-538 8800 | | | | |
| Aggressive Ptflio Fd | 114.7 | 120.7 | ...... | − |
| Balanced Ptflio Fd | 303.1 | 317.9 | ...... | − |
| Cautious Ptflio Fd | 119.4 | 125.6 | ...... | − |
| Elite Fund | 104.0 | 109.4 | ...... | − |
| European Fund | 79.5 | 83.6 | ...... | − |
| Far East Fund | 110.0 | 115.7 | ...... | − |
| Fixed Interest Fund | 239.9 | 252.5 | ...... | − |
| International Fund | 251.5 | 264.7 | ...... | − |
| Money Fund | 174.2 | 183.3 | ...... | − |
| N American Fd | 108.4 | 114.0 | ...... | − |
| Property Fund | 411.3 | 432.8 | ...... | − |
| UK Equity Fd | 367.9 | 387.2 | ...... | − |
| A.I M Brown Diglm Fd | 89.8 | 94.5 | ...... | − |
| Swim Select Invs | 109.0 | 114.7 | ...... | − |
| Chart Safety First Bd | 107.9 | 113.6 | ...... | − |
| Exec Master Fd | 91.3 | 96.0 | ...... | − |
| Hardwick Growth Fd | 108.4 | 114.1 | ...... | − |
| Bentley Haig LR Port | 97.9 | 103.0 | ...... | − |
| Milbourne Spec Port | 107.8 | 113.5 | ...... | − |
| Swim Global Fd | 109.3 | 115.0 | ...... | − |
| Hardwick 1st Fd | 71.6 | 75.4 | ...... | − |

All funds have equivalent pension fund. Series 2 prices above. Others available from Regency Life.

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| **Reliance Mutual** | | | | |
| Reliance House, Tonbridge Wells, Kent 0892 510033 | | | | |
| Deposit Acc Fd | 122.2 | 128.6 | ...... | − |
| Equity Acc Fd | 300.3 | 316.1 | +1.3 | − |
| Managed Acc Fd | 266.0 | 280.0 | ...... | − |

| | Init Chge | Canc. Price | Bid Price | Offer Price | + or − | Yield Gr's |
|---|---|---|---|---|---|---|
| **Royal Bank of Canada Funds—Contd.** | | | | | | |
| RBC Intl Currencies Fd Ltd | | | | | | |
| US$ | | | $ | 31.53 | ...... | − |
| Canadian $ | | | C$ | 41.25 | ...... | − |
| £ Sterling | | | £ | 17.75 | ...... | − |
| D-Mark | | | DM | 82.66 | ...... | − |
| Swiss Francs | | | SF | 47.10 | ...... | − |
| Japanese Yen | | | Y | 7741 | ...... | − |
| Managed Fund | | | $ | 38.25 | ...... | − |

Latest RBC Fund Prices 24hr service 0481 710598

## JERSEY (SIB RECOGNISED)

## OFFSHORE AND OVERSEAS

## GUERNSEY (SIB RECOGNISED)

## LUXEMBOURG (SIB RECOGNISED)

## SWITZERLAND (SIB RECOGNISED)

## BERMUDA AUTHORISED

## JERSEY (**)

## GUERNSEY (**)

## MANAGEMENT SERVICES

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# FT UNIT TRUST INFORMATION SERVICE

**Fidelity International—Contd.**

**Fleming Group**

**Foreign & Colonial Mngt (Jersey) Ltd**

**Health 2000 Limited**

**Hill Samuel Investment Services Intl(z)**

**Wardley Fund Managers (Jersey) Ltd**

**World Bond Fund—SICAV**

**World Capital Gwth Fd—SICAV**

**Worldinvest (Managers) Jersey Ltd**

## ISLE OF MAN (**)

**CAL Investments (IoM) Ltd**

**CMI Financial Mngmt Services Ltd**

**Equity & Law International Fund Mgs Ltd**

**Gartmore Fund Managers (IoM)**

**Hellenic Scandinavian Fund Ltd**

**IBI Global Funds Limited**

## LUXEMBOURG (**)

## OFFSHORE INSURANCES

**Royal Skandia Life Assurance Ltd**

**Sun Alliance International Life**

**Unilife Group**

## OTHER OFFSHORE FUNDS

**Espirito Santo Investment Mngmt (SICAV)**

**Eurosi Management S.A.**

**S.G. Europe Obligations SA**

**Europe Plus Investissement (SICAV)**

**FFM Futures Fund Ltd**

**Far East Growth Fund**

**Fidelity Intl Inv Mngt (Luxembourg) SA**

**Fleuri-Consell Fund Mngrs (Guernsey) Ltd**

**First Convertible Securities Fund**

**Forbes Securities Management Ltd**

**Foreign & Colonial Management Ltd**

**Formosa Fund**

NAV NT$2079.70 IDR value US$75.99

**Frankfurt Trust Investment-GmbH**

**Free World Fund**

**The French Prestige Fund**

**Frobisher Fund Limited**

**GT Investment Mngmt Co SA**

**GT Management Plc**

[illegible]

**Kleinwort Benson (Guernsey) Fd Mngrs**

KB Sterling Asset ....... £24.95 24.96xd

**Korea Growth Trust**

Manager: Citizens Invest Trust Mgmt Co

NAV Won 30,685.28 US$45.55

**Korea International Trust**

Fund Mngr: Korea Invest Trust Co Ltd

NAV Apr 10 Won 42,795.06 IDR Value US$63,863.69

**Le Fonds International Canagex**

NAV Apr 5 ....... $10.32

**Liberty ALL-STAR World P'folio-Equity Fd**

**PFC Internatl Portfolio Fd Mngt Ltd**

Specialist Growth Fd ....... $2.17 2.28

Balanced Growth Fd ....... $2.02 2.13

Sterling Income Fd ....... £1.47 1.56

Strategic Reserve Fd ....... $1.03 1.09

**PRS International**

PRS Value Fd ....... $976.61

**Pacific Growth Fund**

NAV Apr 10 ....... $18.57 −0.11

**Parinter Bond Fund SA**

NAV ....... $13.29

**Pierson Heldring & Pierson**

**Taipei Fund**

c/o Prudential-Bache Capital Funding (Equities) Ltd

NAV NT£2,137.80 IDR US$78.48 (Apr 10)

**Taiwan (ROC) Fund**

NAV Apr 10 NT$2,430.00 IDR Value US$89,535.74

**Templeton Galbraith & Hansberger Ltd**

Global Inc Apr 7 ....... $10.17 10.84

**The Thai-Euro Fund Ltd**

Lloyds Bank Fund Mngrs (Guernsey) Ltd

NAV March 24 ....... 10.09

**The Thai Prime Fund Limited**

NAV Apr 7 ....... $10.33

**The Thailand Fund**

[illegible]

**Wardley Investment Services Ltd**

Wardley S.E. Asia Tst ....... $8.96 9.51 1.37

Nikko Asia Pac Trust ....... $11.40 11.82 4.25

**World Fund S.A.**

World Fund NAV Apr 6 ....... $23.19

**World Natural Resources**

NAV Apr 7 ....... $10.15

**Yamaichi Dynamic Mngt Co SA**

Advanced Tech ....... $24.86

Dynamic Gwth Fd ....... $21.02

# LONDON SHARE SERVICE

## BRITISH FUNDS

### "Shorts" (Lives up to Five Years)

| 1989 High | Low | Stock | Price £ | + or − | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 99⅞ | 99⅛ | Treas 9½pc Cnv 1989 | 99⅞ | | | |
| 99¼ | 97⅛ | Treas 3pc 1989 | 99⅛xd | −⅛ | 3.02 | 9.80 |
| 99⅞ | 99⅛ | Treas 10½pc 1989 | 99⅞ | −⅛ | 10.55 | 12.88 |
| 99⅝ | 98⅞ | Exch 10pc 1989 | 99⅛ | −⅛ | 10.08 | 12.65 |
| 99¾ | 99⅛ | Exch 11pc 1989 | 99⅛ | −⅛ | 11.09 | 12.69 |
| 97⅞ | 95⅝ | Treas 5pc 1986–89 | 97⅞ | ...... | 5.14 | 10.60 |
| 99⅝ | 99⅛ | Exch 10¼pcCv '89 | 99⅛xd | −⅛ | 10.30 | 11.12 |
| 101⅞ | 100½ | Treas 13pc 1990‡‡ | 100½ | −⅛ | 12.94 | 12.24 |
| 99⅞ | 99 | Exch 11pc 1990‡‡ | 99 | −⅛ | 11.11 | 12.20 |
| 101⅞ | 100⅛ | Exch. 12½pc 1990 | 100⅛ | −⅛ | 12.48 | 12.26 |
| 93¼ | 91⅞ | Treas. 3pc 1990 | 93⅛xd | ...... | 3.22 | 9.78 |
| 96⅞ | 95⅛ | Treas 8¼pc 1987–90‡‡ | 95⅞ | −⅛ | 8.59 | 11.98 |
| 98⅞ | 96⅛ | Treas. 8pc Cv 1990 ‡‡ | 96⅛ | −⅛ | 8.31 | 11.30 |
| 98⅞ | 97⅛ | Treas. 10pcCv 1990 | 97⅞xd | −⅛ | 10.26 | 11.85 |
| 90 | 87⅞ | Exch 2½pc 1990 | 89⅜ | +⅛ | 2.80 | 9.72 |
| 101⅞ | 99⅞ | Treas 11¾pc 1991 | 99⅞ | −⅛ | 11.75 | 11.71 |
| 91⅞ | 89⅞ | Funding 5¾pc '87–91‡‡ | 91⅛ | ...... | 6.30 | 10.73 |
| 88½ | 86⅛ | Treas. 3pc 1991 | 87⅛xd | ...... | 3.42 | 9.69 |
| 100⅞ | 97⅛ | Treas 10pc Cv '91 ‡‡ | 97⅛ | −⅛ | 10.27 | 11.57 |
| 101⅞ | 98⅞ | Exch. 11pc 1991 | 99xd | −⅛ | 11.11 | 11.47 |
| 94⅞ | 92⅛ | Treas. 8pc 1991 | 92⅛ | +⅛ | 8.67 | 11.44 |
| 106⅞ | 103⅞ | Treas 12¾pc 1992‡‡ | 103⅞ | ...... | 12.28 | 11.10 |
| 99½ | 97 | Treas 10pc 1992 | 97⅛ | −⅛ | 10.30 | 11.19 |
| 94⅞ | 91⅞ | Treas. 8pc 1992 ‡‡ | 92⅛xd | −⅛ | 8.69 | 11.17 |
| 100⅞ | 98⅛ | Treas 10½pc Cv 1992‡‡ | 98⅞xd | −⅛ | 10.63 | 11.15 |
| 85⅞ | 82¼ | Treas. 3pc 1992 | 83⅞ | +⅛ | 3.60 | 9.13 |
| 105⅞ | 102⅞ | Exch. 12¼pc '92 | 103⅞ | −⅛ | 11.88 | 11.12 |
| 109¼ | 106⅝ | Exch 13½pc 1992 | 106⅞ | −⅛ | 12.64 | 11.05 |
| 94⅞ | 91⅞ | Treas 8¼pc 1993 | 91⅞ | −⅛ | 9.00 | 10.94 |
| 100⅞ | 97⅞ | Treas 10pc 1993‡‡ | 97⅞xd | −⅛ | 10.26 | 10.78 |
| 108¼ | 105⅛ | Treas 12½pc 1993‡‡ | 105⅞ | −⅛ | 11.85 | 10.84 |
| 87¾ | 85½ | Funding 6pc 1993‡‡ | 85⅞ | +⅛ | 7.01 | 10.09 |
| 113¼ | 110⅞ | Treas 13¾pc 1993‡‡ | 110⅞ | −⅛ | 12.45 | 10.80 |
| 94⅝ | 91⅝ | Treas. 8½pc 1994 | 91⅞ | −⅛ | 9.28 | 10.76 |
| 117⅞ | 114⅛ | Treas 14½pc 1994‡‡ | 114⅞ | −⅛ | 12.64 | 10.60 |

### Five to Fifteen Years

| 1989 High | Low | Stock | Price £ | + or − | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 113⅞ | 110⅞ | Exch 13½pc 1994 | 110⅞xd | −⅛ | 12.24 | 10.79 |
| 100⅝ | 97⅞ | Treas. 10pc Ln. 1994‡‡ | 97⅝ | −⅛ | 10.24 | 10.60 |
| 110¼ | 106⅞ | Exch. 12½pc 1994 | 106⅞ | −⅛ | 11.69 | 10.76 |
| 96⅞ | 93½ | Treas 9pc 1994‡‡ | 93⅛xd | +⅛ | 9.61 | 10.52 |
| 108⅞ | 105¼ | Treas 12pc 1995 | 105⅛ | −⅛ | 11.39 | 10.73 |
| 79⅝ | 75¼ | Exch 3pc Gas 90–95 | 75½xd | ...... | 3.99 | 8.27 |
| 101⅞ | 98⅛ | Exch. 10¼pc 1995 | 98⅛ | −⅛ | 10.42 | 10.60 |
| 113⅞ | 109⅞ | Treas 12¾pc 1995‡‡ | 110⅛xd | −⅛ | 11.58 | 10.57 |
| 119⅞ | 115⅞ | Treas. 14pc '96 | 115⅞ | −⅛ | 12.11 | 10.69 |
| 97½ | 93¼ | Treas. 9pc 1992–96‡‡ | 94⅛ | −⅛ | 9.54 | 10.15 |
| 126⅞ | 122¾ | Treas 15¼pc 1996‡‡ | 122⅞xd | +⅛ | 12.44 | 10.62 |
| 117⅝ | 112⅞ | Exch 13¼pc 1996‡‡ | 113¼xd | +⅛ | 11.71 | 10.57 |
| 101⅞ | 97⅞ | Conversion 10pc 1996 | 97⅞xd | +⅛ | 10.24 | 10.46 |
| 118⅝ | 113⅝ | Treas 13¼pc 1997‡‡ | 114⅛ | ...... | 11.61 | 10.54 |
| 104⅞ | 100⅛ | Exch 10½pc 1997 | 100⅛ | ...... | 10.46 | 10.43 |
| 95⅞ | 91⅞ | Treas 8¾pc 1997‡‡ | 91⅞ | +⅛ | 9.53 | 10.23 |
| 128⅝ | 123⅞ | Exch 15pc 1997 | 124⅛xd | +⅛ | 12.09 | 10.63 |
| 100⅞ | 96⅞ | Exch. 9¾pc 1998 | 96⅞ | ...... | 10.07 | 10.31 |
| 84⅞ | 81⅛ | Treas 6¾pc 1995–98‡‡ | 81¼xd | −⅛ | 8.30 | 9.91 |
| 134⅞ | 129⅞ | Treas. 15½pc '98‡‡ | 129⅞ | ...... | 11.98 | 10.48 |
| 113⅞ | 109⅞ | Exch. 12pc 1998 | 109⅞ | ...... | 10.97 | 10.41 |
| 100¼ | 96⅛ | Treas 9½pc 1999‡‡ | 96½ | +⅛ | 9.85 | 10.06 |
| 115¾ | 111⅞ | Exch. 12¼pc 1999 | 111⅞ | ...... | 10.99 | 10.37 |
| 105⅝ | 101¼ | Treas. 10½pc 1999 | 101⅝ | −⅛ | 10.35 | 10.27 |
| 104⅞ | 99⅝ | Conversion 10¼pc 1999 | 100 | +⅛ | 10.26 | 10.25 |
| 94⅞ | 89⅞ | Treas. 8½pc Ln 2000‡‡ | 90¼ | ...... | 9.43 | 10.00 |
| 97⅞ | 93 | Conversion 9pc 2000‡‡ | 93¼ | ...... | 9.65 | 10.02 |
| 122⅞ | 116⅞ | Treas. 13pc 2000 | 117⅞ | ...... | 11.09 | 10.37 |
| 103⅝ | 99⅛ | Treas 10pc 2001 | 99⅛ | −⅛ | 10.07 | 10.09 |
| 124⅞ | 119⅞ | Treas. 14pc '98–01 | 119⅞ | ...... | 11.71 | 10.59 |
| 102⅞ | 97⅞ | Conversion 9¾pc 2001 | 97⅞ | ...... | 9.95 | 10.03 |
| 113⅞ | 109¼ | Exch. 12pc '99–02 | 109⅞ | +⅛ | 10.97 | 10.43 |
| 104⅞ | 100 | Conversion 10pc 2002 | 100¼xd | ...... | 9.97 | 9.96 |
| 102⅞ | 98¾ | Treas 9¾pc 2002 | 98⅝ | −⅛ | 9.88 | 9.92 |
| 97⅞ | 93⅞ | Exch. 9pc 2002 | 93⅞ | ...... | 9.60 | 9.84 |
| 126⅞ | 121⅞ | Treas. 13¾pc 2000–03 | 121⅞ | +⅛ | 11.28 | 10.41 |
| 105¾ | 100⅝ | Treas 10pc 2003 | 101⅛ | +⅛ | 9.88 | 9.83 |
| 113⅞ | 108⅞ | Treas. 11½pc 2001–04 | 108⅞ | ...... | 10.59 | 10.23 |

### Over Fifteen Years

| 1989 High | Low | Stock | Price £ | + or − | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 106⅞ | 101⅞ | Treas. 10pc 2004 | 101⅞ | +⅛ | 9.81 | 9.75 |
| 59⅝ | 57½ | Funding 3½pc '99–04 | 57½ | ...... | 6.07 | 8.51 |
| 102⅞ | 98⅛ | Conversion 9½pc 2004 | 98⅞xd | +⅛ | 9.62 | 9.65 |
| 103⅞ | 98⅞ | Conversion 9½pc 2005 | 99xd | +⅛ | 9.59 | 9.61 |
| 111¼ | 106⅞ | Exch.10½pc 2005 | 107⅛ | +⅛ | 9.79 | 9.60 |
| 125⅞ | 119⅞ | Treas. 12½pc 2003–05 | 119⅞ | +⅛ | 10.42 | 9.88 |
| 90⅝ | 86⅞ | Treas. 8pc 2002–06‡‡ | 87⅛ | +⅛ | 9.18 | 9.52 |
| 105⅝ | 101⅞ | Conversion 9¾pc 2006 | 101⅞xd | +⅛ | 9.57 | 9.52 |
| 118⅞ | 113⅞ | Treas. 11¾pc 2003–07 | 113⅞ | +⅛ | 10.31 | 9.87 |
| 96⅞ | 91⅞ | Treas 8½pc 2007‡‡ | 92¼ | +⅛ | 9.21 | 9.39 |
| 134⅝ | 128⅛ | Treas. 13½pc '04–08 | 128⅞ | +⅛ | 10.49 | 9.80 |
| 101⅞ | 96¼ | Treas. 9pc 2008‡‡ | 96⅞xd | +⅛ | 9.29 | 9.35 |
| 92⅞ | 87⅞ | Treas 8pc 2009 | 88¼ | +⅛ | 9.06 | 9.28 |
| 102⅞ | 97⅞ | Conv 9pc Ln 2011‡‡ | 97⅞ | +⅛ | 9.20 | 9.23 |
| 68⅝ | 65⅞ | Treas. 5½pc 2008–12‡‡ | 65⅞ | +⅛ | 8.37 | 9.04 |
| 89⅞ | 86 | Treas. 7¾pc 2012–15‡‡ | 86⅞ | +⅛ | 8.98 | 9.14 |
| 132⅞ | 126⅞ | Exch. 12pc '13–'17 | 126⅞ | +⅛ | 9.45 | 9.21 |

## BRITISH FUNDS—Contd

### Undated

| 1989 High | Low | Stock | Price £ | + or − | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 45½ | 42¾ | Consols 4pc | 42¾ | −⅛ | 9.36 | — |
| 40⅞ | 38½ | War Loan 3½pc‡‡ | 38⅛ | −⅛ | 9.18 | — |
| 70⅞ | 60⅞ | Conv. 3½pc '61 Aft | 66 | | 5.30 | — |
| 41⅞ | 31⅞ | Treas. 3pc '66 Aft | 36 | | 8.33 | — |
| 30½ | 26¾ | Consols 2½pc | 27 | +⅛ | 9.26 | — |
| 29½ | 26¾ | Treas. 2½pc | 27 | +⅛ | 9.28 | — |

### Index-Linked

| | | (b) | | | (1) | (2) |
|---|---|---|---|---|---|---|
| 127⅝ | 124 | Treas 2pc IL '90(84.6) | 127⅝ | +⅛ | — | 3.05 |
| 106⅞ | 103⅞ | Do. 2pc '92‡‡(97.8) | 106⅜ | +⅛ | 2.74 | 3.62 |
| 99⅞ | 94⅞ | Do. 2 '94 (102.9) | 98⅞xd | +⅛ | 3.03 | 3.53 |
| 145 | 139½ | Do. 2pc '96(67.9) | 144⅞ | +⅛ | 3.19 | 3.55 |
| 124⅞ | 118⅞ | Do 2½pc '01(78.3) | 123⅞ | +⅛ | 3.40 | 3.64 |
| 122⅞ | 115⅞ | Do: 2½pc '03(78.8) | 120¼ | +⅛ | 3.45 | 3.66 |
| 125⅞ | 117⅞ | Do. 2pc '06(69.5) | 123⅞ | ...... | 3.47 | 3.64 |
| 117⅞ | 110¼ | Do. 2½pc '09(78.8) | 115⅞ | +⅛ | 3.48 | 3.64 |
| 123⅞ | 114⅞ | Do. 2½pc '11(74.6) | 120⅞ | ...... | 3.47 | 3.63 |
| 102½ | 95¼ | Do. 2½pc '13(89.2) | 100⅛ | +⅛ | 3.46 | 3.59 |
| 110⅞ | 101¼ | Do. 2½pc '16(81.6) | 108⅜ | +⅛ | 3.42 | 3.55 |
| 108⅞ | 100¾ | Do. 2½pc '20(83.0) | 106½xd | ...... | 3.38 | 3.50 |
| 91⅞ | 84⅞ | Do. 2½pc '24‡‡(97.7) | 89⅞ | +⅛ | 3.36 | 3.47 |

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing. (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for July 1988:106.7 and for February 1989:111.8

## INT. BANK AND O'SEAS

| | | | | | | |
|---|---|---|---|---|---|---|
| 108⅞ | 103⅛ | African Dv Bk 11¼Ln2010 | 103⅛ | ...... | 10.76 | 10.71 |
| 104⅞ | 99⅞ | Asian Dev Bk 10¼pcLn2009 | 99⅞xd | +⅛ | 10.25 | 10.25 |
| 130⅞ | 123⅞ | Australia 13½pc 2010 | 124xd | +⅛ | 10.89 | 10.63 |
| 113⅞ | 107¼ | Do. 11¾pcLn2015 | 107⅞xd | +⅛ | 10.60 | 10.55 |
| 108⅞ | 103⅛ | Euro Inv Bk 11pc Ln 2002 | 103⅛ | ...... | 10.67 | 10.56 |
| 104⅞ | 99⅛ | Do. 10¾pc2004 | 99⅛ | ...... | 10.47 | 10.49 |
| 118⅞ | 112¾ | Int-Am Dev Bk 12½pc 2003 | 112⅞ | +⅛ | 11.08 | 10.69 |
| 99⅝ | 94⅛ | Do. 9¼pcLn 2015 | 94⅛ | ...... | 10.36 | 10.41 |
| 97½ | 94¼ | Mlysia 10¾pcLn 2009 | 95xd | ...... | 11.32 | 11.38 |
| 120 | 118 | Utd. Mexican States 16½pc 2008 | 118 | ...... | 13.98 | 13.80 |

## CORPORATION LOANS

| | | | | | | |
|---|---|---|---|---|---|---|
| 102 | 100 | Birmingham 13½pc 1989 | 100½ | ...... | 13.43 | 11.20 |
| 111½ | 102½ | Do. 11½pc 2012 | 106½ | ...... | 10.80 | 10.70 |
| 91 | 87½ | GLC 6¾pc 1990–92 | 88½xd | −½ | 7.63 | 11.30 |
| 124½ | 14½ | Leeds 13½pc 2006 | 122½xd | ...... | 11.02 | 10.72 |
| 33 | 30 | Liverpool 3½pc Irred | 30xd | ...... | 11.67 | — |
| 94½ | 92 | LCC 6¾pc '88–90 | 92½xd | −1 | 7.30 | 12.70 |
| 30 | 28 | Do. 3pc '20 Aft | 28xd | ...... | 10.71 | — |
| 107½ | 104½ | Manchester 11½pc 2007 | 107½xd | ...... | 10.70 | 10.60 |

## COMMONWEALTH & AFRICAN LOANS

| | | | | | | |
|---|---|---|---|---|---|---|
| 89½ | 86½ | NZ 7¼pc 1988–92 | 88 | ...... | 8.24 | 11.80 |
| 206 | 206 | S Rhod 2½pc Non-Assd | 206 | ...... | — | — |
| 84½ | 84½ | Do. 4½pc 87–92 Assd | 84½xd | ...... | 5.33 | 9.33 |

## LOANS

### Building Societies

| | | | | | | |
|---|---|---|---|---|---|---|
| 99⅞ | 98⅞ | N'wide Anglia 9⅞pc 17.4.89 | 99⅞xd | +⅛ | 9.19 | 13.02 |
| 99¾ | 98⅞ | Do. 9½pc 8.5.89 | 99¾xd | +⅛ | 9.52 | 13.00 |
| 99⅞ | 98⅞ | Do. 8⅞pc 30.5.89 | 99⅝ | +⅛ | 8.99 | 13.49 |
| 99⅞ | 98⅞ | Do. 9⅞pc 26.6.89 | 99⅞ | ...... | 9.89 | 13.48 |
| 99⅞ | 98⅝ | Do. 10⅞pc 17.7.89 | 99⅞ | −⅛ | 10.77 | 13.54 |
| 99⅞ | 98⅞ | Do. 11⅛pc 7.8.89 | 99⅞ | −⅛ | 11.15 | 13.54 |
| 99⅝ | 98⅞ | Do. 11⅝pc 29.8.89 | 99⅞ | −⅛ | 11.65 | 13.45 |
| 99⅞ | 99⅛ | Do. 12⅜pc 18.9.89 | 99⅞ | −⅛ | 12.45 | 13.56 |
| 99⅞ | 99⅛ | Do. 12⅜pc 2.10.89 | 99⅝ | −⅛ | 12.39 | 13.53 |
| 99⅞ | 98⅞ | Do. 11⅞pc 6.11.89 | 99⅞xd | −⅛ | 11.92 | 13.52 |
| 100 | 99⅛ | Do. 12⅜pc 4.12.89 | 99⅞ | −⅛ | 12.41 | 13.53 |
| 100⅛ | 99⅛ | Do. 12⅞pc 2.1.90 | 99⅞ | −⅛ | 12.88 | 13.50 |
| 100½ | 99⅛ | Do. 12⅝pc 29.1.90 | 99⅞ | −⅛ | 12.66 | 13.50 |
| 102¼ | 99¾ | Do. 3¾pcIL Ln 2021 | 100xd | ...... | 4.39 | 4.45 |

### Public Board and Ind.

| | | | | | | |
|---|---|---|---|---|---|---|
| 97 | 95 | Agric. Mt. 5pc '59–89 | 97 | ...... | 5.15 | 3.26 |
| 47 | 45 | Met. Wtr. 3pc 'B' | 46xd | ...... | 6.52 | 10.41 |

## FOREIGN BONDS & RAILS

| 1989 High | Low | Stock | Price £ | + or − | Div % Gross | Red. Yield |
|---|---|---|---|---|---|---|
| 45 | 40 | Greek 7pc Ass | 40 | ...... | 3.50 | f8.75 |
| 45 | 40 | Do. 6pc 28 Stb. Ass | 40xd | ...... | 3 | f7.50 |
| 45 | 40 | Do 4pc Mixed Ass | 40xd | ...... | 2 | f5.00 |
| 80 | 65 | Hung. '24 Ass | 80 | ...... | 2.75 | f3.57 |
| 139⅞ | 133⅛ | Hydro Quebec 15pc 2011 | 133⅛ | +⅛ | 15.00 | 10.98 |
| 128⅞ | 122¾ | Iceland 14½pc Ln 2016 | 122¾xd | −⅛ | 14.50 | 11.68 |
| 97¼ | 94½ | Ireland 9¾pc '91–96 | 95¼xd | −⅛ | 9.75 | 10.65 |

## AMERICANS

| 1989 High | Low | Stock | Price £ | + or − | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 32¾ | 26½ | Abbott Laboratories§ | 32¾xd | +⅛ | $1.20 | — | 2.2 |
| 537p | 361p | ♦Allegheny & W 1c | 509p | +32 | 30c | — | 3.4 |
| 15⅞ | 12⅞ | Amax $1 | 14⅞ | +¼ | 40c | — | 1.6 |
| 11¾ | 956p | Amdahl 5c | 10⅞xd | +⅞ | h10c | — | 0.6 |
| 31⅞ | 25½ | Amer. Cyanamid $5 | 30⅞ | +⅛ | $1.20 | — | 2.3 |
| 19⅞ | 14⅞ | Amer. Express 60c | 19¼xd | +⅛ | 84c | — | 2.5 |
| 12¾ | 854p | Amer. Medical Int. $1 | 12¾ | +⅛ | ♦72c | — | 3.3 |
| 19 | 15¼ | American T. & T. $1 | 18½ | +⅛ | $1.20 | — | 3.8 |
| 30⅞ | 26⅞ | Ameritech $1 | 30xd | | h$2.92 | — | 5.7 |
| 14⅞ | 9¾ | BankAmerica $1⅞ | 14 | +⅛ | 60c | — | 2.5 |
| 25⅛ | 19⅛ | Bankers N.Y. $1 | 24⅞xd | +⅛ | $2.08 | — | 5.0 |
| 45¼ | 38½ | Bell Atlantic $1 | 44½ | −⅛ | $4.08 | — | 5.4 |
| 25¼ | 19⅛ | BellSouth Corp | 24⅝ | | $2.36 | — | 5.6 |
| 15⅞ | 12⅞ | ♦Bethlehem Steel $8 | 14⅛xd | +⅛ | — | — | — |
| 11½ | 929p | ♦Bio-Rad Labs. A | 11½ | ...... | — | — | — |
| 17⅛ | 15⅛ | Bowater Inc | 16⅞ | +⅛ | $1.12 | — | 3.9 |
| 12 | 9⅛ | Brunswick 75c | 11⅞xd | −⅛ | 44c | — | 2.2 |
| 32 | 28⅛ | CPC Intnl. 25c | 32 | +⅛ | $1.60 | — | 2.9 |
| 19⅛ | 17⅛ | CSX $1 | 17⅞ | ...... | $1.24 | — | 4.0 |
| 798p | 333p | California Engy | 518p | ...... | — | — | — |
| 20⅞ | 17¼ | Campbell Soup 15c | 19⅛ | −⅛ | 92c | — | 2.7 |
| 22⅞ | 15⅞ | Chase Manhattan $12½ | 21⅞ | +⅛ | $2.36 | — | 6.3 |
| 21½ | 17 | Chem. Banking Corpn | 20⅛ | +⅛ | $2.72 | — | 7.8 |
| 16¾ | 14⅞ | Chrysler $6¼ | 14⅞xd | +⅛ | $1.20 | — | 4.9 |
| 17⅝ | 14⅞ | Citicorp $1 | 17⅛xd | +⅛ | $1.48 | — | 5.0 |
| 230p | 169p | CityFed Fin. Corp | 170p | −6 | 4c | — | 1.4 |
| 28½ | 25¼ | Colgate-Palmolive $1 | 27⅞cd | +⅛ | s$1.48 | — | 3.1 |
| 21½ | 16⅞ | Cons Freightways 62½c | 19¾ | +⅞ | 98c | — | 2.9 |
| 12⅝ | 10¼ | Cont'l Bank Corp $4 | 12⅛ | +⅛ | 8c | — | 0.4 |
| 388p | 312p | ♦Corporate Data Scnce | 335p | ...... | — | — | — |
| 386p | 278p | Cullinet Sftwr 1c | 325p | +17 | — | — | — |
| 22⅞ | 21⅛ | Dana Corp. $1 | 22⅞ | +⅛ | $1.60 | — | 4.1 |
| 10⅞ | 854p | Data General | 980p | +33 | — | — | — |
| 32¾ | 28¾ | Dun & Bradstreet $1 | 30¾ | +⅛ | $1.74 | — | 3.3 |
| 34⅞ | 30½ | Eaton Corpn. 50c | 33⅛xd | +⅛ | h$2.00 | — | 3.5 |
| 10 | 8⅞ | Echlin Inc | 9⅛xd | +⅛ | 70c | — | 4.2 |
| 18⅞ | 16⅞ | FPL Group 1c | 17⅞xd | +⅛ | $2.20 | — | 7.4 |
| 32¼ | 27⅝ | Ford Motor $1 | 28⅛ | +½ | $3.00 | — | 6.2 |
| 34⅞ | 30⅞ | GATX 62½c | 34⅞ | +⅛ | $2.00 | — | 3.4 |
| 27¼ | 24¼ | Gen. Elect. 63c | 26⅛xd | +⅛ | $1.64 | — | 3.6 |
| 567p | 484p | ♦General Host Corp $1 | 524p | −5 | 28c | — | 3.1 |
| 22⅝ | 18¼ | Gillette $1 | 22⅛ | +⅞ | 96c | — | 2.5 |
| 769p | 616p | Gt Am First Svgs Bk $1 | 690p | ...... | 60c | — | 5.1 |
| 18⅞ | 16⅞ | Greyhound $1½ | 18⅛ | +⅛ | $1.32 | — | 4.1 |
| 11½ | 847p | Hasbro Inc 50c | 10½ | +⅛ | 16c | — | 0.9 |
| 8½ | 6 | Home Group $1 | 8⅛xd | −⅛ | 20c | — | 1.4 |
| 43¼ | 32¾ | Honeywell $1½ | 43⅛ | +1½ | $2.10 | — | 2.8 |
| 16⅝ | 15¼ | Houston Inds.§ | 16⅛ | ...... | $2.96 | — | 10.6 |
| 74⅝ | 63⅞ | IBM Corpn $1¼ | 64⅛ | +1¾ | $4.40 | — | 4.0 |
| 52p | 45p | ♦Image Storage/R.Sys.1c | 45p | ...... | — | — | — |
| 22⅞ | 18¼ | Ingersoll-Rand $2 | 22⅛xd | +⅛ | $1.04 | — | 2.7 |
| 29⅝ | 22½ | Lockheed Crpn. $1 | 27⅛xd | +⅛ | $1.60 | — | 3.4 |
| 18⅞ | 15⅞ | Lone Star Inds $1 | 18xd | +⅛ | $1.90 | — | 6.2 |
| 20⅞ | 17½ | Louisiana Land 15c | 20⅛xd | +⅛ | $1.00 | — | 2.9 |
| 14⅝ | 11⅛ | Lowe's 50c | 13⅛ | ...... | 48c | — | 2.1 |
| 21⅞ | 15⅞ | Manuf. Hanover $1 | 21⅛ | ...... | $3.28 | — | 9.1 |
| 17⅞ | 13⅞ | Merrill Lynch $1 | 16⅝ | +⅛ | $1.00 | — | 3.5 |
| 2253p | 1954p | Molex Inc | 1992p | +8 | 3.2c | — | — |
| 23⅝ | 18⅛ | Morgan (JP) $2½ | 22⅛xd | +⅛ | $1.66 | — | 4.3 |
| 42½ | 36⅛ | NYNEX $1 | 42⅛ | +½ | $4.04 | — | 5.6 |
| 20⅞ | 18⅛ | PHH Corp.§ | 19⅞xd | +⅛ | $1.12 | — | 3.3 |
| 235p | 220p | ♦Pacific Agr.§ | 229p | ...... | — | — | — |
| 20⅞ | 19 | Pacificorp $3¼ | 20⅞ | ...... | $2.64 | — | 7.4 |
| 20⅞ | 16⅞ | Pacific Telesis 10c | 20½ | ...... | $1.76 | — | 5.0 |
| 17⅝ | 15¼ | Pall Corp. 25c | 16⅛ | −⅛ | 48c | — | 1.7 |
| 50⅛ | 39⅞ | Pennzoil 83 1/3c | 49⅞ | +⅛ | $3.00 | — | 3.5 |
| 20⅞ | 17⅞ | Premark Intl | 20⅞ | +½ | 60c | — | 1.7 |
| 32¼ | 28⅝ | Quaker Oats $5 | 31⅛xd | ...... | $1.20 | — | 2.2 |
| 26⅛ | 23½ | Rep NY Corpn $5 | 26½ | +⅛ | $1.20 | — | 2.6 |
| 13¼ | 11⅞ | Rockwell Intl. $1 | 12⅞xd | +⅛ | 72c | — | 3.2 |
| 26⅛ | 21⅝ | Southwestern Bell $1 | 25⅞ | ...... | $2.48 | — | 5.6 |
| 22⅝ | 17⅞ | Sun Co. Inc. $1 | 22⅝ | +⅞ | $1.80 | — | 4.6 |
| 26⅞ | 22⅞ | TRW Inc. 62½c | 26¼ | −⅛ | $1.72 | — | 3.8 |
| 18⅞ | 14⅝ | TW Services $5 | 18⅛ | +⅛ | 10c | — | 0.3 |
| 30¼ | 26¼ | Tenneco $5 | 29⅛ | +⅛ | $3.04 | — | 6.0 |
| 31⅝ | 28 | Texaco $6.25 | 31⅛xd | +⅛ | ♦$3.00 | — | 5.5 |
| 25⅞ | 21⅝ | Texas Instr. $1 | 22⅞xd | +½ | 72c | — | 1.8 |
| 69½ | 58⅝ | Time Inc. $1 | 66⅞ | +⅞ | $1.00 | — | 0.9 |
| 17¼ | 15⅞ | TRINOVA Corp | 16⅛xd | +⅛ | 64c | — | 2.3 |
| 19⅝ | 16 | USX $1 | 19⅛ | +⅞ | $1.40 | — | 4.2 |
| 164p | 126p | ♦Unilab | 166p | ...... | — | — | — |
| 27⅞ | 22¼ | Utd. Technologies | 27⅞ | +⅛ | $1.60 | — | 3.4 |
| 158p | 128p | ♦Utilitech Inc | 148p | ...... | — | — | — |
| 37¼ | 31½ | US West§ | 37 | +⅛ | $3.76 | — | — |
| 27⅞ | 22⅝ | Waste Management $1 | 27⅞xd | +⅝ | 48c | — | 1.0 |
| 16⅞ | 13½ | Whirlpool $1 | 15⅛ | ...... | $1.10 | — | 4.1 |
| 19⅞ | 16⅞ | Whitman Corp | 18⅛xd | +⅛ | 96c | — | 3.0 |
| 31⅞ | 28⅛ | ♦Woolworth $3½ | 29⅛ | +⅛ | $1.64 | — | 3.3 |

Continued on next page

# Money Market Trust Funds

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **Charities Aid Fndtn Money Mngmt Co Ltd** | | | | |
| Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461 | | | | |
| CAFCASH Call Fund | 11.61 | 8.91 | 12.28 | 3-mth |
| CAFCASH 7-day Fund | 11.78 | 9.04 | 12.47 | 3-mth |
| **The Charities Deposit Fund** | | | | |
| 2 Fore Street, London EC2Y 5AQ 01-588 1815 | | | | |
| Deposit | 12.30 | — | 12.88 | 3-Mth |
| **Gartmore Money Management Ltd** | | | | |
| 2-3 White Hart Yard, London SE1 1NX. 01-236 1425 | | | | |
| Call Fnd | 11.78 | 9.04 | 12.32 | 6-Mth |
| 7-day Fund | 12.10 | 9.29 | 12.68 | 6-Mth |
| Special Fund | 11.44 | — | 12.06 | Mth |
| Dollar | 8.69 | 6.67 | 9.12 | 3-Mth |

# Money Market Bank Accounts

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **AAB–Allied Arab Bank Ltd** | | | | |
| 97-101 Cannon St, London, EC4N 5AD 01-629 6802 | | | | |
| OMNA (£2,001+) | 13.10 | 10.25 | 14.33 | Mnth |
| HICA (£2,001+) | 12.50 | 9.78 | 13.64 | Mth |
| **Aitken Hume** | | | | |
| 30 City Road, EC1Y 2AY. 01-638 6070 | | | | |
| Treasury Acc | 12.00 | 9.21 | 12.71 | Qtr |
| Mth Int Chq £1000-£5000 | 11.75 | 9.02 | 12.54 | Mth |
| Mth Int Chq £5,000+ | 12.00 | 9.21 | 12.81 | Mth |
| **Bank of Ireland High Interest Cheque Acc** | | | | |
| 36 Queen St, EC4R 1BN. 01-625 7000 | | | | |
| 2,000-9,999 | 11.726 | 9.176 | 12.662 | Qtr |
| £10,000+ | 12.052 | 9.431 | 13.026 | Qtr |
| **Bank of Scotland** | | | | |
| 38 Threadneedle St, EC2P 2EH. 01 601 6746 | | | | |
| Money Mkt Cheque Acc | 11.65 | 9.11 | 12.68 | Mth |
| **Barclays Prime Account** | | | | |
| PO Box 125, Northampton 0604 252891 | | | | |
| H.I C.A. £1,000-£2,499 | 11.00 | 8.30 | 11.42 | Qtr |
| £2,500+ | 11.50 | 8.60 | 11.84 | Qtr |
| **Benchmark Bank PLC Premier Account** | | | | |
| 9 Henrietta Place, W1M 9AG. 01-631 3313 | | | | |
| Small Deposits | 8.75 | — | — | — |
| £2,500-£10,000 | 11.75 | 9.02 | 12.44 | Qtr |
| £10,001-£20,000 | 12.00 | 9.21 | 12.71 | Qtr |
| £20,000+ | 12.50 | 9.59 | 13.25 | Qtr |
| **Brown Shipley & Co Ltd** | | | | |
| Founders Court, Lothbury, London EC2. 01-606 9833 | | | | |
| Demand Acc | 11.50 | 9.00 | 12.41 | Qtr |
| **Charterhouse Bank Limited** | | | | |
| 1 Paternoster Row, EC4M 7DH. 01-248 4000 | | | | |
| Sterling | 11.50 | 8.83 | 12.26 | Mth |
| U.S. Dollar | 8.50 | 6.52 | 8.96 | Mth |
| German Marks | 5.00 | 3.84 | 5.21 | Mth |
| Swiss francs | 4.25 | 3.26 | 4.42 | Mth |
| Japanese Yen | 3.50 | 2.69 | 3.63 | Mth |
| **Citibank Savings** | | | | |
| St Martins Hse, Hammersmith Grove W6 01-741 4941 | | | | |
| Money Market Plus | | | | |
| £2,000-£24,999 | 9.75 | 8.00 | 11.07 | Mth |
| £25,000 | 10.25 | 8.50 | 11.79 | Mth |
| **Clydesdale Bank PLC** | | | | |
| 30 St Vincent Place, Glasgow G1 2HL 041 248 7070 | | | | |
| HICA £2,000-£9,999 | 11.0 | 8.61 | 11.86 | Qtr |
| £10,000-£19,999 | 11.20 | 8.77 | 12.09 | Qtr |
| £20,000-£49,999 | 11.40 | 8.92 | 12.30 | Qtr |
| £50,000+ | 11.80 | 9.24 | 12.76 | Qtr |
| **Co-operative Bank Top Tier** | | | | |
| 78-80 Cornhill EC3 01-626 6543 | | | | |
| £1,000-£2,499 | 9.80 | 7.60 | 10.40 | Qtr |
| £2,500-£9,999 | 11.10 | 8.60 | 11.70 | Qtr |
| £10,000+ | 12.10 | 9.40 | 12.80 | Qtr |
| **Dartington & Co Ltd** | | | | |
| 9 The Crescent, Plymouth PL1 3AB 0752 673873 | | | | |
| Money Mkt Acc | 11.125 | 8.54 | — | Qtr |
| **Edington Plc** | | | | |
| 1 King Street, Manchester M2 6AW 061 834 2535 | | | | |
| HICA (£1,000+) | 11.5000 | 8.83 | — | Qtr |
| **Financial & General Bank plc** | | | | |
| 13 Lowndes Street, London, SW1X 9EX 01-235 0036 | | | | |
| H.I.D.A. £5,000-£15,000 | 12.00 | 9.21 | 12.80 | Qtr |
| H.I.D.A. £15,000+ | 12.25 | 9.40 | 12.97 | Qtr |
| **Gartmore Money Management Ltd** | | | | |
| 2-3 White Hart Yard, London SE1 1NX 01-236 1425 | | | | |
| Money Magt. Acct | 11.00 | 8.44 | 11.61 | 3 Mth |
| **Girobank plc High Interest Cheque Acc** | | | | |
| 10 Milk St., London EC2V 8JH 01 600 6020 | | | | |
| £1,000-£3,999 | 9.20 | 8.20 | 10.93 | Yearly |
| £4,000-£9,999 | 9.65 | 8.50 | 11.33 | Yearly |
| £10,000+ | 10.50 | 9.10 | 12.13 | Yearly |
| **Grefund Inv Mngrs/Allied Irish Bank** | | | | |
| High Interest Cheque Account | | | | |
| 51, Belmont Road, Uxbridge, UB8 1RZ 0895 59783 | | | | |
| £1,500+ | 12.30 | 9.62 | 13.30 | Qtr |
| **Humberclyde Finance Group** | | | | |
| Chalky Ct, Winchester Rd, Basingstoke 0256 841863 | | | | |
| £500-£2,499 | 11.0 | 8.60 | 11.84 | Qtr |
| £2,500-£9,999 | 11.5 | 8.99 | 12.39 | Qtr |
| £10,000-£49,999 | 12.0 | 9.39 | 12.96 | Qtr |
| £50,000+ | 13.0 | 10.17 | 14.08 | Qtr |
| **Lloyds Bank High Interest Cheque Account** | | | | |
| 71 Lombard St, London EC3P 3BS 01-407 1000 | | | | |
| £1,000+ | 9.90 | 7.60 | 10.50 | Mth |
| £5,000+ | 10.40 | 8.0 | 11.10 | Mth |
| £10,000+ | 10.90 | 8.40 | 11.60 | Mth |
| £50,000+ | 11.40 | 8.80 | 12.20 | Mth |
| **M & G/Kleinwort Benson** | | | | |
| M & G Hse., Victoria Rd, Chelmsford 0245 266266 | | | | |
| H.I.C.A. (£2,500+) | 11.50 | 8.99 | 12.51 | Daily |
| **Midland Bank plc** | | | | |
| PO Box 2, Sheffield. 0742 528655 | | | | |
| High Int Chq Acc | 10.86 | 8.50 | 11.70 | Qtr |
| £10,000+ | 11.50 | 9.00 | 12.41 | Qtr |
| £50,000+ | 11.82 | 9.25 | 12.77 | Qtr |
| Premier Savings £5,000+ | 12.14 | 9.50 | 12.97 | 6-mth |
| **M.I.M. Britannia Ltd** | | | | |
| 11 Devonshire Square EC2M 4YR 01-626 3434 | | | | |
| Cater Allen | 11.50 | 8.8263 | 12.2563 | Mth |
| **NatWest Special Reserve Account** | | | | |
| 41 Lothbury, London, EC2P 2BP 01-374 3374 | | | | |
| £10,000 and above | 11.75 | 9.00 | 12.41 | Qtr |
| £2,000 to £9,999 | 11.25 | 8.50 | 11.69 | Qtr |
| £1,000-£1,999 | 10.75 | 8.25 | 11.35 | Qtr |
| £500-£999 | 10.50 | 8.00 | 10.99 | Qtr |
| **Provincial Bank PLC** | | | | |
| 30 Ashley Rd, Altrincham, Cheshire 061-928 9011 | | | | |
| H.I.C.A. (£1,000+) | 12.50 | 9.60 | 13.34 | Mth |
| **Royal Bank of Scotland plc Premium Acc** | | | | |
| 42 St Andrew Sq, Edinburgh EH2 2YE 031-557 0201 | | | | |
| £50,000+ | 11.77 | 9.21 | 12.71 | Qtr |
| £25,000-£49,999 | 11.57 | 9.05 | 12.49 | Qtr |
| £10,000-£24,999 | 11.38 | 8.90 | 12.28 | Qtr |
| £2,500-£9,999 | 11.04 | 8.63 | 11.90 | Qtr |
| **Save & Prosper/Robert Fleming** | | | | |
| 28 Western Rd, Romford RM1 3LB. 0708 766966 | | | | |
| H.I.B.A. | 11.25 | 8.80 | 12.24 | Daily |
| **Tyndall & Co Ltd** | | | | |
| 29-33 Princess Victoria St, Bristol 0272 732241 | | | | |
| Demand Acc | 11.75 | 9.19 | 12.68 | Qtr |
| Money Acc | 11.75 | 9.19 | 12.68 | Qtr |
| Client Plus Acc | 11.25 | 8.80 | 12.12 | Qtr |
| **J. Henry Schroder Wagg & Co Ltd** | | | | |
| Enterprise House, Portsmouth 0705 827733 | | | | |
| Special Acc | 10.75 | 8.41 | 11.60 | Mthly |
| £10,000 and above | 11.00 | 8.61 | 12.00 | Mthly |
| **Western Trust High Interest Cheque Acc** | | | | |
| The Moneycentre, Plymouth PL1 1SE 0752 224141 | | | | |
| £1,000-£4,999 | 12.00 | 9.39 | 12.96 | Qtr |
| £5,000-£9,999 | 12.25 | 9.58 | 13.24 | Qtr |
| £10,000-£49,999 | 12.50 | 9.78 | 13.52 | Qtr |
| £50,000+ | 12.75 | 9.97 | 13.80 | Qtr |
| **Wimbledon & South West Finance Co Ltd** | | | | |
| 114 Newgate St, London EC1 7AE 01-606 9485 | | | | |
| High Int Cheque Acc | 12.50 | 9.59 | 13.25 | Qtr. |

NOTES—Gross rate to those exempt from composite rate of tax Net actual rate after deduction of CRT Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate Int Cr frequency interest credited

### UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. g Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. ▲ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend. (**) Funds not SIB recognised.

# LONDON SHARE SERVICE

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## CANADIANS

| 1989 High | Low | Stock | Price £ | + or – | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 157p | 130p | ♥ABM Gold Corp ‖ | 130p | –5 | – | – | – |
| 18¼p | 4½p | ♥Abbot Energy Corp. | 18¼p | ..... | – | – | – |
| 13¼ | 902p | ♥Amer. Barrick Res. | 12¼ | –⅛ | – | – | – |
| 3¼p | 2⅞p | ♥Amer. Lightwave ‖ | 2⅞p | ..... | – | – | – |
| 19⅞p | 12¼p | ♥Armeno | 16p | ..... | – | – | – |
| 109p | 94p | ♥Asiamerica ‖ | 108p | ..... | – | – | – |
| 33¼p | 22¼p | ♥Augmitto Explo. | 22½p | –1 | – | – | – |
| 14⅜ | 12⅝ | Bk Montreal ‖ | 14 | ..... | $2.12 | – | 7.3 |
| 762p | 655p | Bk. Nova Scot. ‖ | 708p | ..... | 84c | – | 5.7 |
| 18¾ | 17 | BCE ‖ | 18½ | +¼ | $2.44 | – | 6.3 |
| 768p | 570p | ♥Bow Valley ‖ | 757p | ..... | ♦40c | – | 2.5 |
| 14¼ | 12⅛ | ♥Brascan ‖ | 13½ | +¼ | 88c | – | 3.1 |
| 228p | 180p | ♥Breakwater Res. | 180p | ..... | 10c | – | 2.7 |
| 13⅝ | 11¼ | Can Imp Bank ‖ | 13⅜ | +⅛ | $1.16 | – | 4.2 |
| 12¼ | 997p | Can. Pacific ‖ | 11¼ xd | +½ | 76c | – | 3.1 |
| 41½ | 38½ | Do 4pc Deb £100 | 41½ | ..... | 4% | – | 9.6 |
| 511p | 374p | Central Capital "A" ‖ | 490p | –3 | – | – | – |
| 448p | 340p | ♥Corona Corp. | 397p | –3 | – | – | – |
| 373p | 228p | ♥Cons TVX Min. | 332p | ..... | – | – | – |
| 48½p | 19½p | ♥Danbus Mem. Sys. ‖ | 25p | +5 | – | – | – |
| 633p | 524p | ♥Derlan Inds. ‖ | 603p | ..... | 11.75c | – | 0.9 |
| 953p | 751p | ♥Echo Bay Mines | 863p | +1 | $0.07 | – | 0.4 |
| 572p | 370p | ♥ECO Corp ‖ | 437p | ..... | – | – | – |
| 16¼p | 9½p | ♥Energex Minerals ‖ | 11½p | ..... | – | – | – |
| 234p | 203p | ♥Galactic Resources | 224p | ..... | – | – | – |
| 330p | 243p | Gandalf Techs. Inc. | 261p | ..... | – | – | – |
| 54½p | 32p | ♥Geodome Res. | 32p | ..... | – | – | – |
| 183p | 138p | Granges Expln ‖ | 138p | ..... | – | – | – |
| 27½p | 6p | ♥Gt. Pacific Res. | 16¾p | –¾ | – | – | – |
| 779p | 651p | ♥Gulf Canada ‖ | 726p | ..... | 52c | – | 3.4 |
| 12½ | 10¼ | ♥Hawker Sid Can ‖ | 12⅞ | ..... | $1.08 | – | 4.2 |
| 559p | 348p | ♥Henlys Group | 559p | +30 | – | – | – |
| 13⅛ | 11⅞ | ♥Hudson's Bay ‖ | 12⅞ | –⅛ | 60c | – | 2.2 |
| 28¾ | 23 | ♥Imperial Oil ‖ | 26⅞ | +⅛ | $1.80 | – | 3.3 |
| 18⅞ | 14¼ | Inco ‖ | 16⅝ | +⅛ | s$0.80 | – | 2.8 |
| 670p | 599p | ♥Inland Nat. Gas $1 | 670p | +11 | 60c | – | 4.3 |
| 160p | 102p | ♥Madeleine Mines | 160p | ..... | – | – | – |
| 193p | 163p | ♥Muscocho Expln | 184p | +7 | – | – | – |
| 126p | 85½p | ♥Nevada Goldfields | 114p | –2 | – | – | – |
| 12⅝ | 10⅞ | ♥Rio Algom | 11¼ | ..... | $1.30 | – | 5.3 |
| 19¾ | 17¼ | Royal Bk. Can. ‖ | 19¾ | +¼ | $2.20 | – | 5.4 |
| 41½ | 33¾ | Seagram ‖ | 41¼ | +⅞ | US$1.40 | – | 2.0 |
| 112p | 74½p | ♥Sonora Gold Corp ‖ | 87p | –4 | – | – | – |
| 85p | 33p | ♥Spiral Eng ‖ | 79p | ..... | – | – | – |
| 109p | 73p | ♥Tam Pure Tech. Corp ‖ | 79½p | –14 | – | – | – |
| 19½ | 16⅛ | Toronto-Dom. Bk. ‖ | 18¾ | +¼ | $1.12 | – | 2.9 |
| 800p | 686p | ♥Trans Can Pipe | 800p | +12 | 68c | – | 4.1 |
| 183p | 154p | Varity Corp ‖ | 169p | +7 | B | – | – |

## BANKS, HP & LEASING

| 1989 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| *278 | 224 | ANZ $A1 | 226 | +1 | Q34½c | 2.0 | 7.7 | 6.5 |
| *311 | 241 | Allied Irish | 305 | ..... | F072.9% | 3.1 | 5.0 | 10.5 |
| £12⅛ | £11⅛ | Algemene Fl.10 | £12 | +⅛ | Q27% | 1.9 | 6.4 | – |
| 85 | 62 | Anglo Irish | 80 | ..... | Q19.69% | 1.2 | 5.6 | 22.8 |
| 79 | 75 | Ansbacher (H.) 1p | 77 | ..... | 2.0 | – | 3.5 | – |
| £52⅛ | £45½ | B'caire Cie Fr100 | £52⅛ | +1¼ | Q012½% | – | 2.2 | – |
| £40⅞ | £36⅞ | Banco Bilbao Viz. | £37¼ | ..... | Q35.7% | 2.0 | 3.5 | 14.3 |
| £33 | £28 | Banco de Santander | £32⅞ | ..... | Q21% | 2.4 | 2.3 | 18.0 |
| *306 | 230 | Bank Ireland Ir£1 | 304 | ..... | Q15.67% | 3.3 | 4.3 | 10.9 |
| £17½ | £17½ | Bank Leumi | £17½ | ..... | – | – | – | – |
| 350 | 350 | Bank Leumi (U.K.) | 350 | ..... | 12.5 | – | 6.1 | – |

[illegible]

### Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## BUILDING, TIMBER, ROADS – Contd

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## ELECTRICALS

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING – Contd

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS (Miscel.) – Contd

[illegible]

## INDUSTRIALS (Miscel.) – Contd.

[illegible]

## INSURANCES

[illegible]

## LEISURE

[illegible]

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## LEISURE—Contd

| 1989 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 73 | 45 | Grampian TVA 10p | 62 | | †2.5 | 2.6 | 5.4 | 9.6 |
| 28 | 20 | ‡Greenwich Comm. | 27 | +1 | | | | |
| 128 | 85 | HTV Grd | 107xd | –5 | †t3.9 | 3.9 | 4.9 | 7.0 |
| 192 | 139 | Hanimex A$0.25 | 158½xd | +1 | †Q15c | 4.7 | 4.6 | 4.7 |
| 136 | 112 | Hi-Tec Sports | 114 | | t3.6 | 3.4 | 4.2 | 8.3 |
| 20 | 13 | Int'l Media Comm. 5p | 14½ | –½ | – | – | – | – |
| 76 | 65 | Julliana's Hldgs 2p | 71 | | †2.85 | 1.4 | 5.4 | 15.6 |
| 99 | 41½ | ‡Kunick 10p | 56½ | –½ | 1.4 | 2.4 | 3.3 | 15.9 |
| 212 | 157 | LWT 5p | 179xd | –1 | t5.7 | 3.4 | 4.2 | 9.0 |
| *111 | 86 | Leisure Inv 10p | 102 | | 1.75 | 1.6 | 2.3 | (31.1) |
| *97 | 80 | Leisuretime Int 10p | 95 | | – | – | – | – |
| [illegible] | | | | | | | | |

## PROPERTY

| 1989 High | Low | Stock | Price | + or – | Div Net |
|---|---|---|---|---|---|
| 151 | 129 | Allied London 10p | 145 | | 2.75 |
| 132 | 113 | Do. 5¼pc Cnv Red Pref | 127xd | –1 | 5¼% |
| 213 | 152 | Arlington Sec 10p | 202 | | 6.0 |
| 180 | 153 | Asda Property 20p | 171 | –2 | 2.0 |
| 134 | 121 | Do 5¼pc Cm. Rd. Pf. | 133 | +1 | 5¼% |
| 74 | 53 | BDA Hldgs. 10p | 70 | | †2.5 |
| 134 | 89½ | BHH Group 50p | 130xd | –1 | 4.0 |
| 230 | 190 | Baker Hrris Sads10p | 225 | –5 | †6.25 |
| 98 | 80 | Barlows 10p | 85 | | 0.75 |
| 130 | 130 | Billingsgate City | 130 | | 5.9 |
| 526 | 454 | Bilton (Percy) | 504 | –5 | 15.1 |
| 680 | 615 | Bradford Prop. | 670 | –10 | †12.5 |
| [illegible] | | | | | |

## TEXTILES—Contd

## TOBACCOS

## TRUSTS, FINANCE, LAND

## TRUSTS, FINANCE, LAND—Contd

## OIL AND GAS—Contd

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3-month call rates

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Dollar and pound hold firm

THE DOLLAR and sterling were generally firm on the foreign exchanges yesterday. Both currencies were supported by high interest rate differentials over Continental Europe and Japan, while the dollar was also propped up by the threat of political instability in Japan.

Last Friday's announcement that US unemployment hit its lowest level for 15 years in March provided support for the dollar, although a lower than expected rise in non-farm payrolls left the market wondering whether another tightening of the Federal Reserve's monetary stance is required.

Nevertheless the possibility of higher US interest rates remained a strong background factor for the dollar, as the market continued to watch political developments in Japan. There was a tendency to extend long dollar positions against the yen, ahead of today's statement in Parliament by Mr Noboru Takeshita, Japanese Prime Minister, on his involvement in the Recruit Cosmos share scandal.

At the close in London the dollar had climbed to Y132.60 from Y132.40. It had also improved to DM1.8795 from DM1.8745; to SFr1.6560 from SFr1.6485; and to FFr6.3450 from FFr6.3325. According to the Bank of England the dollar's exchange rate index was unchanged at 68.4.

Britain's economic situation involving inflation and the trade deficit overhung London's financial markets, but sterling was buoyed by speculation that this will lead to a rise in UK bank base rates. March UK producer prices rose 1.4 per cent on the input side, about double the expected figure. This maintained the upward pressure on London interest rates, as the market awaits further news on the inflation front from Thursday's employment data and Friday's retail prices index.

Sterling closed unchanged at $1.6975, but rose to DM3.1900 from DM3.1835; to Y225.00 from Y224.75; to SFr2.8100 from SFr2.8000; and to FFr10.7700 from FFr10.7500. On Bank of England figures the pound's index rose 0.2 to 95.6.

The Swiss franc continued to weaken against the D-Mark. The West German currency rose to 0.8810 francs from 0.8786 francs, on publication of the Swiss consumer price index. Swiss year-on-year inflation in March was unchanged at 2.3 per cent.

The French franc was little changed against the D-Mark, after the Bank of France left its money market intervention rate at 8.25 per cent at yesterday's tender. The D-Mark was fixed unchanged at FFr3.3761 in Paris.

The Danish krone remained the weakest member of the European Monetary System, but was well within its agreed limit against the strongest currency, the D-Mark. The krone was supported by a rise of ½ per cent in the rates charged on corporate loans by Denmark's three largest banks. This follows a recent rise of ¼ per cent in the Danish National Bank's deposit rate to 8 per cent and a cut in the ceiling on borrowings by commercial banks from the authorities.

### £ IN NEW YORK

| Apr.10 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.7015-1.7025 | 1.6945-1.6955 |
| 1 month | 0.48-0.47pm | 0.39-0.37pm |
| 3 months | 1.39-1.36pm | 1.25-1.21pm |
| 12 months | 3.72-3.65pm | 3.70-3.55pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

| | Apr.10 | Previous |
|---|---|---|
| 8.30 am | 95.4 | 95.4 |
| 9.00 am | 95.4 | 95.5 |
| 10.00 am | 95.4 | 95.5 |
| 11.00 am | 95.4 | 95.5 |
| Noon | 95.3 | 95.5 |
| 1.00 pm | 95.4 | 95.5 |
| 2.00 pm | 95.4 | 95.5 |
| 3.00 pm | 95.6 | 95.5 |
| 4.00 pm | 95.6 | 95.4 |

### CURRENCY RATES

| Apr.10 | Bank rate % | Special* Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | - | 0.764025 | 0.653935 |
| U.S. Dollar | 7 | 1.30060 | 1.10809 |
| Canadian $ | 12.39 | 1.55149 | 1.31675 |
| Austrian Sch. | 4 | 17.1107 | 14.6479 |
| Belgian Franc | 7.75 | 50.9282 | 43.5785 |
| Danish Krone | 7½ | 9.44756 | 8.09683 |
| [illegible] | [illegible] | [illegible] | [illegible] |

*All SDR rates are for Apr.7

### CURRENCY MOVEMENTS

[illegible]

### OTHER CURRENCIES

[illegible]

*Selling rate

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu Apr.10 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 42.4582 | 43.5785 | +2.64 | +0.93 | ±1.5344 |
| Danish Krone | 7.85212 | 8.09683 | +3.12 | +1.41 | ±1.5404 |
| German D-Mark | 2.05853 | 2.08122 | +1.10 | -0.61 | ±1.0981 |
| French Franc | 6.90403 | 7.02641 | +1.77 | +0.06 | ±1.3674 |
| Dutch Guilder | 2.31943 | 2.34760 | +1.21 | -0.50 | ±1.5012 |
| Irish Punt | 0.768411 | 0.780182 | +1.53 | -0.18 | ±1.6684 |
| Italian Lira | 1483.58 | 1526.40 | +2.89 | +1.89 | ±4.0752 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### POUND SPOT- FORWARD AGAINST THE POUND

| Apr.10 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.6925 - 1.7015 | 1.6970 - 1.6980 | 0.38-0.35cpm | 2.58 | 1.22-1.17pm | 2.82 |
| Canada | 2.0125 - 2.0240 | 2.0205 - 2.0215 | 0.14-0.02cpm | 0.48 | 0.48-0.31pm | 0.78 |
| Netherlands | 3.58½ - 3.60¼ | 3.59¼ - 3.60¼ | 1¾-1⅝cpm | 6.05 | 5¾-5⅝pm | 6.39 |
| Belgium | 66.45 - 66.85 | 66.75 - 66.85 | 29-24cpm | 4.76 | 87-82pm | 5.06 |
| Denmark | 12.36¾ - 12.41½ | 12.40¼ - 12.41¼ | 4⅛-3⅞cpm | 3.81 | 13¼-12¾pm | 4.09 |
| Ireland | 1.1905 - 1.1965 | 1.1950 - 1.1960 | 0.48-0.43cpm | 4.57 | 1.45-1.35pm | 4.68 |
| W. Germany | 3.17¾ - 3.19¼ | 3.18¾ - 3.19¾ | 1¾-1⅝pfpm | 6.58 | 5⅛-5⅛pm | 6.66 |
| Portugal | 261.70 - 264.30 | 263.00 - 264.00 | 7-44cdis | -1.16 | 11-99dis | -0.83 |
| Spain | 197.10 - 198.15 | 197.70 - 198.00 | 23-13cpm | 1.09 | 55-40pm | 0.96 |
| Italy | 2330¾ - 2339¾ | 2337¾ - 2338¾ | 3-1lirepm | 1.03 | 8-6pm | 1.20 |
| Norway | 11.55 - 11.59 | 11.57½ - 11.58½ | 1¾-1¼orepm | 1.55 | 5¾-5¼pm | 1.88 |
| France | 10.72¾ - 10.77½ | 10.76½ - 10.77½ | 4-3¼cpm | 4.32 | 12¾-12pm | 4.53 |
| Sweden | 10.83¼ - 10.86½ | 10.85½ - 10.86½ | 1⅝-1⅜orepm | 1.66 | 5-4½pm | 1.75 |
| Japan | 224½ - 225½ | 224½ - 225½ | 1⅝-1½ypm | 8.33 | 4¾-4⅝pm | 8.44 |
| Austria | 22.36 - 22.46 | 22.43 - 22.46 | 12-11gropm | 6.15 | 37¼-34⅝pm | 6.40 |
| Switzerland | 2.80 - 2.81½ | 2.80½ - 2.81½ | 1⅝-1½cpm | 6.67 | 5-4¾pm | 6.94 |

Belgian rate is convertible francs. Financial franc 67.00-67.10. Six-month forward dollar 2.22-2.17cpm 12 months 3.57-3.47cpm

### DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

| Apr.10 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.6925 - 1.7015 | 1.6970 - 1.6980 | 0.38-0.35cpm | 2.58 | 1.22-1.17pm | 2.82 |
| Ireland† | 1.4185 - 1.4215 | 1.4185 - 1.4195 | 0.27-0.32cdis | -2.49 | 0.81-0.91dis | -2.42 |
| Canada | 1.1870 - 1.1935 | 1.1895 - 1.1905 | 0.19-0.23cdis | -2.12 | 0.58-0.64dis | -2.05 |
| Netherlands | 2.1160 - 2.1205 | 2.1195 - 2.1205 | 0.63-0.60cpm | 3.48 | 1.87-1.83pm | 3.49 |
| Belgium | 39.25 - 39.40 | 39.30 - 39.40 | 7.50-6.00cpm | 2.06 | 23.00-20.00pm | 2.19 |
| Denmark | 7.29¾ - 7.31 | 7.30¾ - 7.31¼ | 0.50-0.75oredis | -1.03 | 1.60-1.90dis | -0.96 |
| W. Germany | 1.8765 - 1.8805 | 1.8790 - 1.8800 | 0.62-0.59pfpm | 3.86 | 1.80-1.77pm | 3.80 |
| Portugal | 154.90 - 155.10 | 155.00 - 155.10 | 40-60cdis | -3.86 | 120-170dis | -3.74 |
| Spain | 116.40 - 116.65 | 116.60 - 116.70 | 14-18cdis | -1.65 | 53-58dis | -1.90 |
| Italy | 1375 - 1378 | 1377¼ - 1377¾ | 1.30-1.80liredis | -1.35 | 5.00-5.50dis | -1.52 |
| Norway | 6.81¼ - 6.82¾ | 6.82 - 6.82½ | 0.50-0.75oredis | -1.10 | 1.60-1.90dis | -1.03 |
| France | 6.33 - 6.34¾ | 6.34¼ - 6.34¾ | 0.90-0.85cpm | 0.27 | 2.80-2.65pm | 0.28 |
| Sweden | 6.39 - 6.40¼ | 6.39½ - 6.40 | 0.45-0.65oredis | -1.03 | 1.70-1.95dis | -1.14 |
| Japan | 132.45 - 132.80 | 132.55 - 132.65 | 0.63-0.60ypm | 5.56 | 1.88-1.85pm | 5.62 |
| Austria | 13.20¼ - 13.22¾ | 13.21½ - 13.22 | 4.10-3.70gropm | 3.54 | 12.40-11.20pm | 3.57 |
| Switzerland | 1.6480 - 1.6585 | 1.6555 - 1.6565 | 0.59-0.56cpm | 4.16 | 1.74-1.70pm | 4.15 |

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.50-39.60.

### EURO-CURRENCY INTEREST RATES

| Apr.10 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 11¼-11 | 11⅛-11⅞ | 12⅞-12⅝ | 13⅛-13⅛ | 13⅛-13⅛ | 13⅛-13⅛ |
| US Dollar | 9⅞-9⅞ | 9¾-9⅝ | 10-9⅞ | 10¼-10⅛ | 10½-10⅜ | 10⅞-10⅝ |
| Can Dollar | 12¼-12 | 12¼-12 | 12⅛-11⅞ | 12⅜-12⅛ | 12½-12¼ | 12⅝-12⅜ |
| D. Guilder | 6½-6⅜ | 6½-6⅜ | 6½-6⅜ | 6⅝-6⅜ | 6¾-6⅝ | 6⅞-6⅝ |
| Sw. Franc | 5¾-5½ | 5¾-5½ | 5⅞-5¾ | 6⅛-5⅞ | 6¼-6⅛ | 6⅜-6¼ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## FINANCIAL FUTURES

# Short sterling prices hold firm

A RISE in cash rates amid fears of higher base rates and rising inflation should have been enough to push short-sterling futures sharply weaker in Liffe trading yesterday. However, technical considerations played a significant part in ensuring that the price for June delivery finished two ticks up from Friday's close at 86.73.

The contract was marked down at the start of trading, and touched a low of 86.60. This was close to the all-time low of 86.57 touched on February 28, but the contract failed to reach this level as fresh demand developed at around 86.60.

Most investors were carrying short positions, but the support anticipated around the previous low encouraged short covering slightly above this price. This reflected the fear of being caught out if the contract bounced off its historic low. But the placing of these orders meant that the lower support level was never reached, and the contract moved back up to 86.76. Volume was brisk, with over 25,000 lots changing hands.

### LIFFE LONG GILT FUTURES OPTIONS

[illegible]

### LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

### LIFFE £/$ OPTIONS

[illegible]

### LIFFE EURODOLLAR OPTIONS

[illegible]

### LIFFE SHORT STERLING

[illegible]

### PHILADELPHIA SE £/$ OPTIONS

[illegible]

### LONDON SE £/$ OPTIONS

[illegible]

### LONDON (LIFFE)

[illegible]

### CHICAGO

[illegible]

## EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 60,865

A=Ask B=Bid C=Call P=Put

## MONEY MARKETS

# London rates higher

UK INTEREST rates edged firmer in London yesterday amid speculation of another rise in clearing bank base rates from the current level of 13 per cent. As a result, institutions are reluctant to lend money into the longer dated periods, preferring to wait until a better return is on offer, should base rates rise. Consequently, the shorter end of the market has become extremely liquid as funds were are held on short-term deposit. While the key three-month interbank rate moved up to 13⅛-13⅜ per cent from 13¼-13⅛ per cent, overnight money slipped from an opening level of 11⅞-11¾ per cent to finish at 1 per cent.

Investors remain worried about the underlying rise in inflation. Figures released yesterday for UK producer prices suggest that either the corporate sector will be faced with a tighter squeeze on margins or that prices will be increased to offset rising costs.

The Bank of England forecast a surplus of around £100m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance draining £394m. Exchequer transactions took out a further £50m. These were partly offset by a fall in the note circulation of £502m and banks' balances brought forward £30m above target.

The forecast was revised to a flat position, and there was no assistance in the morning or in the afternoon.

In Paris, the Bank of France left its money market intervention rate unchanged at 8.25 per cent when allocating funds to the money market through a sale and repurchase facility.

The strength of the French franc against the D-Mark provided speculation that the French authorities would cut their key lending rates. However, the absence of any change probably underlines the authorities' determination to keep the franc firm. While interest rate differentials remain constant in favour of the franc, there are fears that a possible rise in West German interest rates - to defend the weak D-Mark - could put renewed downward pressure on the franc.

In New York, the US Federal Reserve added temporary reserves to the money market through $1.5bn of customer repurchase agreements. At the time, overnight Federal funds were trading at 9⅞ per cent, unchanged from Friday

UK clearing bank base lending rate 13 per cent from November 25

### FT LONDON INTERBANK FIXING

[illegible]

### MONEY RATES

[illegible]

### LONDON MONEY RATES

[illegible]

### BASE LENDING RATES

[illegible]

## CROSSWORD

No.6,906 Set by FRESCA

**ACROSS**

1 Commercial study on mud returning something extra (8)
5 Shaped like fashion editor (6)
10 Expert in expensive car? (5)
11 They take a tumble in the shower (9)
12 A cut-out sign for insurance men (9)
13 Region round pole a scene of conflict (5)
14 Pass out when asleep? (6)
15 Embarrassed at use of spurious English in recent times (7)
18 Agreement to study company course (7)
20 Dignified look to road: extremely lofty (6)
22 Girl to make you duck – quick! (5)
24 Composer with rear end caught in duct; result of drunken revel? (9)
25 Absence of directional change in California at night (9)
26 Sound entertainment from a Greek character – thus! (5)
27 County vehicle (6)
28 It may keep viewers in the dark (8)

**DOWN**

1 Tar on highway in foreign parts (6)
2 Olympic event of the month at Irish town – almost (9)
3 Standard practice of opera student disconcerted producer at end of performance (6,9)
4 Approved by family artist in east Soviet republic (7)
6 Sam told the RAF he's indisposed – but he keeps rolling along! (3,6,6)
7 Cowlike sounds associated with English caribou (5)
8 Scatters princess's ribbons (8)
9 Alfie Stapleton's car? (6)
16 A Milanese production group in the Pacific (9)
17 Bill is of some importance in this department (8)
19 Show up for a dip outside East Berlin initially (6)
20 Pass up to accomplice in the neighbourhood (7)
21 "Le chic" phrase? definitely not! (6)
23 Fall for a trendy scoundrel (5)

Solution to Puzzle No.6,905

CHARLES DICKENS
A N Y O R H X T
TUTOR PROMENADE
S H I H V V C P
PRESCRIBE ACTON
A L S L E
WHIST TESTIMONY
O O E P E M
CONCOURSE BOOST
O T C P E
LOTAH PETERSHAM
L H S O A E A P
ECOLOGIST ARGUE
C R M N O L I S
TANGENT RAMPART

## JOTTER PAD

## COMPANY NOTICES

## CLUBS

# WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | SINGAPORE

[illegible]

## CANADA

### TORONTO

*2pm prices April 10*

| Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|
| 200 | Canron A | $11 | 11 | 11 | |
| 4050 | Cara | $17⅛ | 17⅛ | 17⅛ | − ⅛ |
| 11400 | Cara A f | $16⅛ | 16⅛ | 16⅛ | |
| 51 | Carena | $23¾ | 23¾ | 23¾ | |
| 200 | Cascades | $6⅞ | 6⅞ | 6⅞ | + ⅛ |
| 1252 | Celanese | $32½ | 32½ | 32½ | |
| 14776 | CanCap A | $9⅞ | 9⅞ | 9⅞ | |
| 1270 | CentFd A | $5⅛ | 5⅛ | 5⅛ | |
| 16089 | C Guar Tr | $22⅛ | 22⅛ | 22½ | + ¼ |
| 13000 | Charan | 120 | 120 | 120 | |
| 42400 | Horsham f | $10 | 9⅞ | 10 | |
| 1326 | H BayMn e | $9½ | 9⅛ | 9⅞ | + ⅛ |
| 576 | H Bay Co | $26 | 26 | 26 | |
| 40063 | Imasco L | $30¼ | 30½ | 30½ | − ⅛ |
| 39682 | Imp Oil A | $53¾ | 53¼ | 53¼ | |
| 206295 | Inco | $34¼ | 33⅞ | 34⅛ | + ½ |
| 2700 | Inland Gas | $13⅝ | 13½ | 13⅝ | + ⅛ |
| 1075 | Innopac | $11½ | 11½ | 11½ | |
| 44390 | Inter City | $23¼ | 23⅛ | 23¼ | |
| 1085 | Interhome | $45½ | 45½ | 45½ | − ⅛ |
| 45575 | Pegasus | $13 | 12⅞ | 12⅞ | − ½ |
| 2900 | PJewl A f | $15½ | 15⅛ | 15½ | |
| 8870 | Pioneer M | 172 | 170 | 172 | + 1 |
| 181601 | Placer Dm | $15¼ | 15⅛ | 15⅛ | + ⅛ |
| 23850 | Poco Pet | $7 | 6⅞ | 7 | + ⅛ |
| 7480 | Powr Cor f | $15 | 14⅞ | 15 | + ⅛ |
| 7600 | Powr Fin | $17¾ | 17½ | 17¾ | + ¼ |
| 6680 | Provigo | $9 | 8⅞ | 9 | + ⅛ |
| 6700 | Que Tel | $13½ | 13½ | 13½ | |
| 36300 | Ranger | $7 | 6⅞ | 7 | |
| 5110 | Wrdalr A f | $15⅝ | 15½ | 15⅝ | |
| 4900 | Wst Fraser | $18½ | 18½ | 18½ | |
| 303069 | Wcoast E | $17⅛ | 16⅞ | 17 | |
| 1640 | Westmin | $9⅞ | 9⅞ | 9⅞ | + ⅛ |
| 650 | Weston | $37½ | 37 | 37½ | + ½ |
| 435 | Woodwd A | $5 | 5 | 5 | − ⅛ |
| 100 | Xerox Can | $20 | 20 | 20 | |

f−No voting rights or restricted rights.

[illegible]

## INDICES

### NEW YORK DOW JONES

| | April 10 | April 7 | April 6 | April 5 | 1989 High | 1989 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|
| ϕIndustrials | 2301.87 | 2304.80 | 2291.97 | 2304.80 | 2347.14 (7/2) | 2144.64 (3/1) | 2722.42 (25/8/87) | 41.22 (2/7/32) |
| Home Bonds | 87.96 | 87.72 | 87.92 | 87.93 | 89.62 (8/2) | 87.35 (23/3) | − | − |
| Transport | 1067.43 | 1070.67 | 1066.30 | 1067.27 | 1087.97 (7/2) | 959.95 (3/1) | 1101.16 (14/8/87) | 12.32 (8/7/32) |
| Utilities | 185.81 | 186.70 | 185.46 | 185.46 | 191.15 (24/1) | 181.84 (24/2) | 227.83 (22/1/87) | 10.50 (8/4/32) |

ϕDay's High 2316.35 (2314.88) Low 2293.62 (2282.07)

| STANDARD AND POOR'S | April 10 | April 7 | April 6 | April 5 | 1989 High | 1989 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 297.11 | 297.15 | 295.29 | 296.24 | 299.63 (7/2) | 275.31 (3/1) | 336.77 (25/8/87) | 4.40 (1/6/32) |
| Industrial(latest) | 342.48 | 342.30 | 339.89 | 340.97 | 346.41 (7/2) | 318.66 (3/1) | 393.17 (25/8/87) | 3.62 (21/6/32) |
| Financial | 28.03 | 28.11 | 27.97 | 28.06 | 28.11 (7/4) | 24.30 (3/1) | 32.43 (25/8/87) | 8.64 (1/10/74) |
| NYSE Composite | 166.89 | 166.93 | 166.02 | 166.45 | 168.10 (16/3) | 154.98 (3/1) | 187.99 (25/8/87) | 4.46 (25/4/42) |
| Amex Mkt. Value | 331.40 | 330.59 | 330.08 | 330.27 | 332.52 (16/3) | 305.24 (3/1) | 365.01 (13/8/87) | 29.31 (9/12/72) |
| NASDAQ OTC Comp | 411.14 | 410.71 | 408.20 | 408.30 | 411.14 (10/4) | 378.56 (3/1) | 455.28 (26/8/87) | 54.87 (31/10/72) |

| | Mar 17 | Mar 10 | Mar 3 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.70 | 3.70 | 3.70 | 3.35 |
| | Mar 15 | Mar 8 | Mar 1 | year ago (approx.) |
| S & P industrial div. yield | 3.13 | 3.16 | 3.23 | 2.94 |
| S & P indl. P/E ratio | 13.17 | 13.04 | 12.68 | 15.35 |

TRADING ACTIVITY †Volume

| Millions | April 10 | April 7 | April 6 |
|---|---|---|---|
| New York | 123.990 | 156.950 | 146.350 |
| Amex | 12.341 | 9.625 | 10.873 |
| OTC | (u) | 133.578 | 114.038 |

| NEW YORK | April 10 | April 7 | April 6 |
|---|---|---|---|
| Issues Traded | 1,952 | 1,930 | 1,945 |
| Rises | 716 | 874 | 566 |
| Falls | 687 | 543 | 830 |
| Unchanged | 549 | 513 | 549 |
| New Highs | 83 | 90 | 54 |
| New Lows | 25 | 26 | 30 |

### CANADA

| TORONTO | April 10 | April 7 | April 6 | April 5 | 1989 High | 1989 Low |
|---|---|---|---|---|---|---|
| Metals & Minerals | 3292.3 | 3265.2 | 3248.0 | 3253.8 | 3564.9 (6/2) | 3207.5 (3/1) |
| Composite | 3552.9 | 3553.0 | 3551.8 | 3556.2 | 3696.1 (8/2) | 3350.5 (6/1) |
| MONTREAL Portfolio | 1778.79 | 1777.85 | 1773.74 | 1769.96 | 1850.44 (8/2) | 1677.48 (3/1) |

| | Apr. 10 | Apr. 7 | Apr. 6 | Apr. 5 | 1989 High | 1989 Low |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1413.3 | 1412.9 | 1424.5 | 1426.3 | 1551.7 (31/1) | 1412.9 (7/4) |
| All Mining (1/1/80) | 657.0 | 652.6 | 654.9 | 654.6 | 727.0 (26/1) | 652.6 (7/4) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 301.83 | 296.77 | 291.92 | 292.51 | 301.83 (10/4) | 219.5 (2/1) |
| **BELGIUM** | | | | | | |
| Brussels SE (1/1/80) | 5811.71 | 5803.14 | 5801.98 | 5781.36 | 5834.01 (10/2) | 5519.30 (4/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 293.44 | 296.21 | 297.45 | 295.78 | 297.45 (6/4) | 275.49 (27/2) |
| **FINLAND** | | | | | | |
| Unitas General (1975) | 815.1 | 812.3 | 807.4 | 801.9 | 815.1 (10/4) | 723.3 (4/1) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 455.1 | 453.3 | 454.3 | 453.1 | 457.3 (6/2) | 417.9 (4/1) |
| Ind. Tendance(30/12/88) | 106.6 | 106.5 | 106.5 | 106.4 | 108.1 (3/2) | 97.5 (27/2) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 571.02 | 564.38 | 566.30 | 563.91 | 571.02 (10/4) | 535.78 (27/2) |
| Commerzbank (1/12/53) | 1699.2 | 1678.5 | 1683.7 | 1679.3 | 1705.6 (5/1) | 1595.7 (27/2) |
| DAX (30/12/87) | 1359.22 | 1348.02 | 1345.50 | 1348.80 | 1371.10 (5/1) | 1271.70 (23/2) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 3021.43 | 3024.09 | 3015.51 | (c) | 3209.96 (9/2) | 2706.69 (3/1) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 604.14 | 603.79 | 605.75 | 606.33 | 615.89 (17/1) | 577.49 (28/2) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 32999.02 | 33185.05 | 32995.78 | 33360.7 | 33360.79 (5/4) | 30183.79 (5/1) |
| Tokyo SE (Topix) (4/1/68) | 2458.80 | 2474.35 | 2469.78 | 2494.74 | 2494.74 (5/4) | 2366.91 (6/1) |
| **NETHERLANDS** | | | | | | |
| CBS Tll.Rtn.Gen.(End 1983) | 232.2 | 231.1 | 231.0 | 231.0 | 232.2 (10/4) | 208.3 (3/1) |
| CBS All Shr (End 1983) | 185.7 | 184.9 | 184.7 | 184.7 | 185.7 (10/4) | 166.7 (1/3) |
| **NORWAY** | | | | | | |
| Oslo SE (2/1/83) | 603.32 | 603.11 | 605.05 | 610.78 | 615.51 (3/4) | 467.17 (2/1) |
| **SINGAPORE** | | | | | | |
| Straits Times Ind. (30/12/66) | 1191.97 | 1186.66 | 1192.43 | 1191.26 | 1194.63 (29/3) | 1030.69 (4/1) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1528.0‡ | 1556.0 | (c) | 1582.0 | 1639.0 (23/3) | 1291.0 (15/2) |
| JSE Industrial (28/9/78) | 2460.0‡ | 2480.0 | (c) | 2493.0 | 2493.0 (5/4) | 1961.0 (3/1) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 297.29 | 294.13 | 292.95 | 291.61 | 297.29 (10/4) | 268.61 (1/3) |
| **SWEDEN** | | | | | | |
| Jacobson & P. (31/12/56) | 3846.7 | 3905.9 | 3912.2 | 3907.0 | 3912.2 (6/4) | 3333.9 (3/1) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 670.0 | 665.2 | 665.2 | 661.2 | 670.0 (10/4) | 613.1 (3/1) |
| **WORLD** | | | | | | |
| M.S. Capital Intl. (1/1/70) | (u) | 506.3 | 505.8 | 510.9 | 519.0 (17/2) | 491.2 (28/3) |

‡ Subject to official recalculation.

### NEW YORK ACTIVE STOCKS

| Monday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Exxon | 3,289,000 | 42 | − ¼ |
| SmithKline | 2,017,100 | 65¼ | − 1½ |
| Campbell Soup | 1,980,100 | 38¼ | + 4⅞ |
| Silicon | 1,717,500 | 19½ | + 1⅛ |
| Enserch | 1,616,800 | 21⅞ | + ⅞ |
| Union Carbide | 1,496,800 | 29½ | .. .. |
| Ramada Inns | 1,446,100 | 11⅛ | + ⅛ |
| Gulf & Western | 1,394,600 | 51⅞ | + 2⅞ |
| Texaco | 1,298,200 | 53½ | − ¼ |
| Syntex | 1,131,000 | 43⅝ | − 1¼ |

Base values of all indices are 100 except NYSE All Common − 50; Standard and Poor's − 10; and Toronto Composite and Metals − 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

Base values of all indices are 100 except Brussels SE and DAX − 1,000 JSE Gold − 255.7 JSE Industrials − 264.3 and Australia. All Ordinary and Mining − 500; (c) Closed. (u) Unavailable.

### TOKYO - Most Active Stocks

Monday 10 April 1989

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Mitsubishi Metal | 28.1m | 1,350 | +30 |
| SHI | 24.8m | 1,280 | +10 |
| Daicel | 24.8m | 1,180 | +60 |
| Toshiba | 22.3m | 1,230 | -10 |
| Mitsui Toatsu | 21.4m | 1,260 | +50 |
| KHI | 20.9m | 1,080 | -10 |
| Mitsui Petrochem | 15.5m | 2,310 | -40 |
| Sumitomo Light Metal | 10.8m | 921 | +21 |
| Nisshin Steel | 10.5m | 1,590 | -30 |
| Showa Denko | 9.7m | 1,400 | +30 |

## AMEX COMPOSITE PRICES

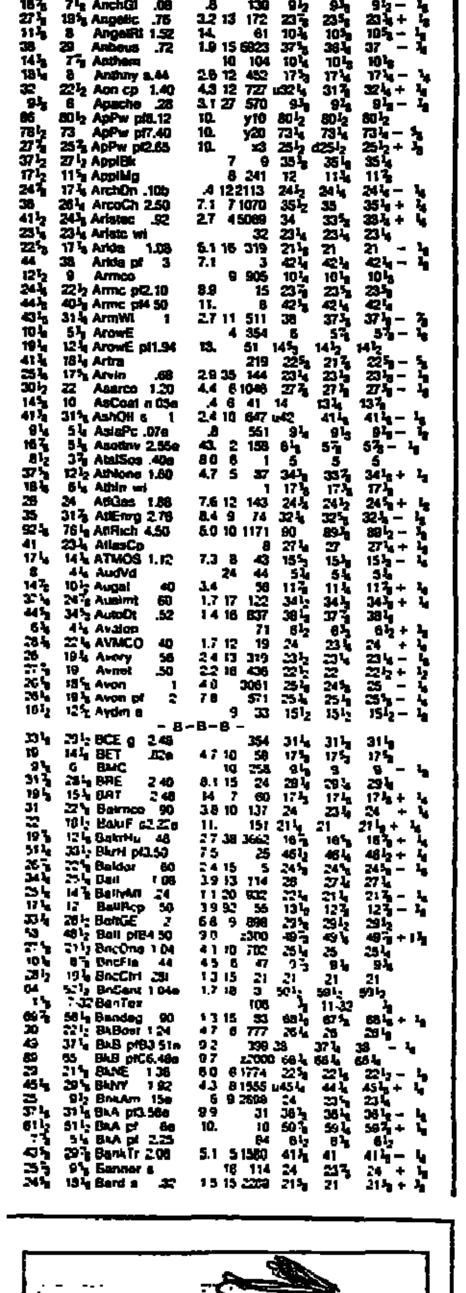
*4pm prices April 10*

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

*4pm prices April 10*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | – A – A – A – | | | | | | | | |
| 29 | 21¼ | AAR | .44 | 1.6 | 18 | 275 | 27½ | 27¼ | 27⅜ | + ⅛ |
| 10⅜ | 8¾ | ACM n | 1.01 | 12. | | 212 | 8⅞ | 8¾ | 8¾ | |
| 11⅞ | 10¼ | ACMIn | 1.26a | 12. | | x617 | 10⅜ | 10½ | 10⅛ | |
| 10⅛ | 8½ | ACM M | n1.01 | 11. | | 235 | 9⅛ | 8⅞ | 9 | + ⅛ |
| 11½ | 10⅛ | ACM Sc | 1.26 | 12. | | 3005 | 10⅝ | 10½ | 10⅝ | + ⅛ |
| 10⅜ | 8⅝ | ACMSp | n.93e | 11. | | 272 | 8⅝ | 8½ | 8½ | |
| 5⅛ | 2¾ | AMCA | .12e | 3.3 | | 3 | 3⅝ | 3⅝ | 3⅝ | |
| 8⅛ | 3⅝ | AM Intl | | | | 2979 | 6 | 5⅝ | 5¾ | |
| 23½ | 18⅛ | AM Int pf | 2 | 8.7 | | 27 | 23 | 22⅞ | 22⅞ | − ⅛ |
| 62⅛ | 39 | AMR | | | 7 | 2341 | 59½ | 59⅛ | 59⅛ | − ⅜ |
| 9½ | 4⅛ | ARX | | | | 74 | 5 | 4⅞ | 4⅞ | − ⅛ |
| 47 | 35⅛ | ASA | 3a | 7.2 | | 209 | 42 | 41⅝ | 41⅞ | + ⅛ |
| 20⅛ | 14¾ | AVX | .24 | 1.4 | 8 | 66 | 17⅞ | 17⅛ | 17⅛ | |
| 55 | 42⅞ | AbtLab | 1.40 | 2.6 | 16 | x2120 | 54⅞ | 54 | 54⅛ | + ⅛ |
| 19 | 15⅜ | Abitibi g | 1 | | | z7 | 18½ | 18⅜ | 18½ | + ⅛ |
| 13⅛ | 7½ | AcmeC | .40 | 4.2 | | 264 | 9⅝ | 9½ | 9⅝ | |
| 7⅜ | 5⅞ | AcmeE | .32 | 4.5 | 25 | 54 | 7⅜ | 7⅛ | 7⅛ | − ⅛ |
| 30⅛ | 20⅛ | Acuson | | | 25 | 680 | 29⅝ | 29 | 29⅛ | + ⅜ |
| 16⅞ | 14⅛ | AdaEx | 1.83e | 12. | | 161 | 14⅝ | 14½ | 14⅝ | + ⅛ |
| 16⅞ | 7⅛ | AMD | | | 10 | 2905 | 9⅛ | 8⅞ | 8⅞ | − ⅜ |
| 43½ | 28¾ | AMD pf | 3 | 9.1 | | 6 | 33 | 33 | 33 | |
| 8⅜ | 6½ | Adobe | | | | 68 | 7⅜ | 7⅜ | 7⅜ | |
| 18⅛ | 16½ | Adob pf | 1.84 | 11. | | 20 | 17⅜ | 17⅛ | 17⅜ | |
| 21⅛ | 20 | Adob pf | 2.40 | 12. | | 1 | 20⅛ | 20⅛ | 20⅛ | |
| 9⅜ | 5⅞ | Advest | .12 | 1.7 | 76 | 112 | 7 | 6⅞ | 7 | |
| 52½ | 39½ | AetnLf | 2.76 | 5.2 | 9 | 2430 | u52⅞ | 52⅛ | 52⅛ | + ⅜ |
| 44½ | 24 | AflPb s | .22 | .5 | | 1329 | 41½ | 41⅛ | 41⅛ | − ⅜ |
| 19⅛ | 13⅛ | Ahmans | .88 | 5.0 | 9 | 1039 | 18 | 17⅝ | 17⅝ | − ⅜ |
| 4⅝ | 2⅝ | Aileen | | | 21 | 4 | 3⅞ | 3⅞ | 3⅞ | − ⅛ |
| 53⅜ | 37⅛ | AirPrd | 1.20 | 2.8 | 11 | 1640 | 43½ | 43⅛ | 43⅛ | + ⅜ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |



Continued on Page 47

# NYSE COMPOSITE PRICES

Continued from previous Page

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 3⅝ | 1⅞ | Publick | | | | 168 | 3⅛ | 3 | 3⅛ | + ⅛ |
| 51¼ | 33⅞ | PR Cem | .65a | 1.4 | 6 | 27 | 47 | 46½ | 46¾ | − ¼ |
| 19¾ | 18 | PugetP | 1.76 | 9.5 | 9 | 580 | 18⅝ | 18⅜ | 18½ | |
| 8⅝ | 7½ | PHICS | .85 | 11. | | 164 | 7⅞ | 7¾ | 7¾ | − ⅛ |
| 10⅛ | 8⅝ | PIGIT | n1.01 | 11. | | 968 | 9¼ | 9 | 9⅛ | + ⅛ |
| 10 | 9⅝ | PMMI | n.09e | .9 | | 1006 | u10⅛ | 9⅞ | 10⅛ | + ⅛ |
| 10⅛ | 8⅝ | PMIIT | n1.03a | 12. | | 504 | 8⅞ | 8¾ | 8⅞ | + ⅛ |
| 10 | 8⅝ | PMIT | 1.10a | 12. | | 813 | 9⅛ | 9 | 9 | − ⅛ |
| 10⅛ | 8⅞ | PPrIT | 1.14 | 12. | | 2406 | 9¼ | 9 | 9¼ | + ⅛ |
| 8⅞ | 4⅞ | Pyro | | | | 268 | 8⅞ | 8⅛ | 8¾ | + ⅛ |
| 12 | 6 | QMS | | | | 297 | 7⅞ | 7½ | 7⅞ | + ¼ |
| 1⅞ | 5-16 | Qantel | | | 2 | 733 | ⅝ | ½ | ⅝ | + ⅛ |
| 61½ | 42⅝ | QuakrO | 1.20 | 2.2 | 16 | 1459 | 54⅞ | 53¾ | 53⅞ | − ⅞ |
| 27⅛ | 15⅞ | QuakSC | .80 | 4.5 | 31 | 716 | 17⅞ | 17⅝ | 17⅞ | |
| 19 | 8¾ | Quanex | .32 | 2.0 | 7 | 865 | 16¼ | 15¾ | 16¼ | − ¼ |
| 31⅛ | 25⅞ | Quanx | pf2.25 | 7.5 | | 24 | 30⅞ | 30¼ | 30⅛ | − ⅞ |
| 59½ | 46 | Quantm | 3 | 6.0 | 3 | 807 | 50⅛ | 49¾ | 50⅛ | + ⅞ |
| 11⅝ | 9⅝ | QstVI | 1.20 | 11. | | 372 | 11½ | 11⅜ | 11⅜ | − ⅛ |
| 10½ | 7¼ | QstVC | .09 | | | 180 | 10½ | 10¼ | 10¼ | |
| 36⅛ | 29⅞ | Questar | 1.86 | 5.8 | 25 | 113 | 32¼ | 32 | 32¼ | + ⅛ |
| 15⅞ | 10½ | QkReily | .24 | 1.8 | 13 | 3 | 13½ | 13¼ | 13¼ | − ⅛ |
| | | − R − R − R − | | | | | | | | |
| 12 | 10⅛ | RAC In | n.11e | 1.0 | | x180 | 10⅞ | 10½ | 10½ | − ¼ |
| 11¼ | 4 | RAC | 1.58e | 35. | 4 | 143 | 4⅞ | 4¼ | 4½ | − ⅛ |
| 12¾ | 6⅝ | RBInd | | | | 24 | 11⅞ | 11⅞ | 11⅞ | |
| 100⅛ | 44¼ | RJR Nb | 1.63e | 1.9 | 15 | 8696 | 88 | 87¾ | 87⅞ | − ⅞ |
| 10½ | 6 | RLC | .20b | 2.2 | 10 | 120 | 9 | 8⅞ | 9 | |
| 11⅜ | 7½ | RLI Cp | .36 | 4.2 | 7 | 14 | 8⅝ | 8⅝ | 8⅝ | − ¼ |
| 7⅝ | 4⅞ | RPC | | | 21 | 84 | 7⅛ | 7 | 7 | − ⅛ |
| 7½ | 5½ | RPS n | .19e | 3.2 | | x80 | 6 | 5⅞ | 5⅞ | + ⅛ |
| 59½ | 29½ | Racal n | | | | 1502 | 67 | 66⅞ | 66⅞ | − ⅞ |
| 1⅛ | 5-16 | Radice | | | | 47 | ½ | ½ | ½ | |
| 86⅞ | 68 | RalsPur | 1.65 | 2.0 | 12 | 610 | 83⅞ | 83⅛ | 83⅛ | − ⅞ |
| 12½ | 6⅛ | Ramad | | | | 14246 | 11⅞ | 11⅛ | 11⅞ | + ⅞ |

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 27⅛ | 18⅝ | Zayre | .40 | 1.6 | 170 | 1748 | 25⅝ | 25⅛ | 25½ | + ⅛ |
| 30 | 16½ | ZenithE | | | 69 | 1367 | 18¼ | 17¾ | 17⅞ | − ⅞ |
| 10¼ | 8⅞ | Zeninc | .69e | 7.2 | | 303 | 9⅝ | 9½ | 9⅝ | |
| 2⅞ | 1 | vjZeoLb | | | | 823 | 1⅞ | 1¼ | 1¼ | − ⅛ |
| 21⅝ | 15 | ZeroNtl | .80b | 4.2 | 9 | 30 | 19 | 18½ | 19 | + ⅛ |
| 19⅞ | 13 | Zero | .44 | 2.4 | 15 | 193 | 18⅞ | 18 | 18⅜ | + ⅛ |
| 29⅛ | 19 | Zurnin | .68 | 2.4 | 16 | 134 | 29 | 28⅝ | 28⅞ | |
| 11¼ | 9⅞ | Zweig | 1.07e | 10. | | 302 | 10⅝ | 10½ | 10⅝ | + ⅛ |
| 10⅛ | 8⅞ | ZweigT | n.24e | 2.7 | | 998 | 8⅞ | 8¾ | 8¾ | − ⅛ |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# OVER-THE-COUNTER

Nasdaq national market, 3pm prices April 10

| Stock | Div. | P/E | Sales 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| WhelTch | | 22 | 1344 | 23¾ | 22⅞ | 23⅜ | + ⅝ |
| Whlclub | | 20 | 791 | 12⅛ | 11⅞ | 12 | − ⅛ |
| WhyJ A | 1.10 | 85 | 4 | 57 | 55 | 57 | +1½ |
| Willamt | 1.45 | 7 | 291 | 47¼ | 46¼ | 47 | +1 |
| WilmTr | 1 | 11 | 73 | 34¼ | 33¾ | 33¾ | |
| WiserO | .40 | 62 | 21 | 16¾ | 16⅝ | 16¾ | + ⅛ |
| Wolohn | .28 | 11 | 120 | 21 | 20¾ | 21 | |
| WolvEx | | | 103 | 6¾ | 6½ | 6½ | − ⅛ |
| Worthg | .48 | 14 | 772 | 22⅛ | 21⅝ | 21⅝ | − ⅝ |
| Wyman | .80 | 19 | 20 | 16⅛ | 15¾ | 15¾ | − ½ |
| | | | − X − Y − Z − | | | | |
| XL Dta s | | 18 | 360 | 19½ | 19¼ | 19½ | + ⅛ |
| XOMA | | | 874 | 15¾ | 15 | 15½ | − ⅝ |
| Xicor | | 10 | 907 | 7⅝ | 7¼ | 7⅝ | + ¼ |
| YelowF | .70 | 11 | 529 | 27⅝ | 27⅛ | 27¼ | − ¼ |
| ZionUt | 1.44 | | 19 | 24 | 23½ | 23½ | |
| Zycad | | | 20 | 3½ | 3⅜ | 3⅜ | |

AMERICA

# Dow stagnates before next economic data

### Wall Street

IN A week which sees a clutch of key economic releases, the equity market started on a cautious note and traded in a very tight range in low volume, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 2.93 points lower at 2,301.87. Just under 124m shares changed hands.

Bond and equity markets were marking time ahead of this week's data which is concentrated on Thursday and Friday. March retail sales figures will be published on Thursday, followed by March industrial production and capacity utilisation. February business inventories and the trade balance on Friday as well as the critical March producer prices report.

Last Friday's unemployment release was ambiguous on the surface as the unemployment rate fell to 5 per cent – against expectations of a rise to 5.2 per cent or 5.3 per cent from 5.1 per cent in February – but the non-farm payroll rose by only 180,000.

However, a closer look at the figures convinced markets that they were relatively strong. The payroll rise had been depressed by about 25,000 to 30,000 by striking Eastern Airline workers, job creation in the service sector remained strong and wage pressures continue to be a concern.

The Producer Prices Index on Friday is expected to have risen by 0.4 per cent with higher crude oil prices being offset by slightly lower food prices.

Financial markets have appeared to start stagnating in recent sessions as investors tussle with unanswered questions about how much the economy is slowing, whether interest rates will firm further to combat inflationary pressures or even ease at some point.

As things now stand, the Federal Reserve seems likely to keep interest rate policy on hold but the PPI number on Friday, which is followed by consumer prices data next week, will be crucial.

Equity movements have for some days been triggered mostly by large fluctuations in stocks involved in takeovers, restructurings, mergers and rumours of all these.

The entertainment sector was the focus of much speculative activity yesterday in the wake of the announcement by Gulf & Western that it was selling its Associates Corp finance subsidiary and would use the proceeds of the sale to acquire media companies. Gulf & Western's stock rose $2¾ to $51⅞.

Among entertainment and media companies thought to be potential takeover targets, Time Inc jumped $2¾ to $115⅝, McGraw Hill rose $1⅛ to $72⅞, MCA added $⅞ to $56⅜ and Tribune gained $1⅛ to $44⅞.

The sector had already been seeing some lively interest in the wake of MGM/UA's sale of some of its businesses to Qintex of Australia and amid persistent rumours about Sony's plans to take over an American entertainment company.

Campbell Soup surged $4⅞ to $38⅞ on takeover speculation following the death at the weekend of its former chairman Mr John Dorrance. The Dorrance family owns about 58 per cent of the company and Mr Dorrance had a 32 per cent stake.

Scotty's added $2⅞ to $14⅞ when GIB Group of Belgium, which already has a 43 per cent stake, offered to buy the rest for $15 each.

Fisher Scientific Group added $2⅛ to $18⅞ after Henley Group, which has an 81 per cent stake in the company, said that Fisher was considering selling its instrumentation laboratory and its Ismed health care business in order to concentrate on its scientific laboratory products subsidiary.

### Canada

WEAKER transportation issues led a marginal decline in Toronto share prices. Oils were easier but firmer gold issues reflected an increase in the price of gold on the June futures contract on the New York Commodity Exchange.

The composite index slipped 0.20 to 3,552.90 as declines outnumbered advances by 363 to 280 on light turnover of 13.8m shares.

Cineplex Odeon lost C$⅜ to C$16⅛ after a group led by chairman Mr Garth Drabinsky said they agreed to purchase 7,264,926 common shares.

EUROPE

# Frankfurt's FAZ climbs to new 1989 high

IT WAS a particularly positive start to the week for West German stocks as the market climbed to a 1989 record. Amsterdam continued to another high and Madrid was buoyant, *writes Our Markets Staff.*

FRANKFURT finally breached its year's high with a sharp rise driven by growing confidence about corporate earnings. Volume remained strong at DM3.76bn and the FAZ index sailed to 571.02, a rise of 6.64 on the day and well clear of the previous high of 569.27 reached on February 8.

The DAX closed 11.20 better at 1,359.22, but off the day's high of 1,363.21, which is some 15 points from its 1989 peak.

Some brokers had been expecting gains like these to come in the first quarter, but they were thwarted by persistent nervousness over interest rates and by the defeat of the conservatives in the Frankfurt municipal elections.

Wall Street's sanguine response to the Friday job figures in the US provided the platform for yesterday's strong gains. Optimistic news from the Hanover Trade Fair, where a survey found 85 per cent of respondents expecting a positive year compared with 65 per cent a year ago, encouraged market sentiment. "There's a recognition among investors that 1989, and not 1988, may now be the peak year for cyclical earnings," said one analyst.

Chemicals were strong, with BASF up DM1.70 at DM299.10 and Bayer up DM3 at DM300.70.

However, utilities, usually chosen for their high-yield defensive nature, topped the actives, with Veba rising DM7 to DM297 as shares worth DM422m changed hands. Veba is benefiting from upward revisions of earnings forecasts, as well as interest in fellow utility RWE, whose planned restructuring has excited interest. RWE was the second most actively traded stock, adding DM5.50 to DM272.50.

Retailers, which have underperformed over the past year, were popular. Kaufhof gained DM12 to DM433 and Hussel put on DM9.40 to DM524.20.

PARIS managed reasonable gains in spite of a trading halt caused by a bomb scare. Volume was estimated at a thin FFr1.2bn and the OMF 50 index rose 1.83 to 469.20.

Optimism about easier short-term interest rates, declining inflation, a strong franc and government forecasts of robust economic growth underpinned gains.

Cheesemaker Fromageries Bel was the star, jumping FFr155, or 9 per cent, to FFr1,835 after reporting a 60 per cent rise in profits.

Luxury goods maker LVMH rose FFr47 to FFr3,930 after an appeal court ruled that chairman Mr Bernard Arnault could not call a special shareholders' meeting of the Louis Vuitton luggage division in an attempt to oust Mr Henry Racamier, the head of its executive committee. Investors will now have to wait for the annual general meeting on June 9.

One of the most active stocks was Générale Occidentale, which rose FFr43, or 4.9 per cent, to FFr913 as a hefty 101,000 shares changed hands.

MADRID reacted strongly to favourable inflation indicators as the general index added 3.16 to 297.29 on high trading volume of Pta 15bn.

"The market is very strong and appears to be continuing," said one dealer, who expected the 300 level to be broken before the end of the week.

The strongest sectors were construction, metals and chemicals. In constructions, Urbis gained 49 percentage points to 649 per cent of par in heavy trading on takeover rumours.

Domestic investors were present in strength and the market was encouraged by the announcement by the Kuwait Investment Office that all the proceeds from the sale of its stake in Banco Central would be reinvested in Spain. Stocks in which KIO has a holding advanced strongly.

AMSTERDAM was firm on good turnover of Fl 737m. The CBS tendency index added 0.3 to a year's high of 176.0.

Internationals were strong, with Philips increasing 60 cents to Fl 40 on high turnover of 1.6m shares after last week's good showing. Insurer Aegon rose Fl 1.70 to a year's high of Fl 99.60 after Friday's results.

Takeover speculation led to heavy trading in Center Parcs, which rose Fl 3.80 to Fl 79.80. But one dealer pointed out that the company was trading at 20 times earnings and any potential buyer would need deep pockets.

ZURICH had a quiet day, but the Crédit Suisse index gained 3.8 at 574.0, with trading dominated by domestic investors.

The most active stocks were banks, with insurers and food stocks also performing better. Nestlé bearers rose SFr150 to a year's high of SFr7,540.

MILAN remained unexciting, with activity estimated at little more than L100bn and the Comit index edging up 0.35 to 604.14. "The market is very agnostic about everything," said one broker. "It doesn't react to any news."

The main event was the suspension of trading in publishers Mondadori and L'Espresso for news of their planned merger. Both shares had climbed sharply earlier.

BRUSSELS closed mixed with most activity centred on Société Générale de Belgique and its subsidiaries FN and Gechem. Mr Carlo de Benedetti, who last year lost a takeover battle for SGB, yesterday said he would not sell any of his 15 per cent stake in the company at current prices. SGB fell BFr5 to BFr4,695.

Arms maker FN rose BFr28 to BFr704 and chemical concern Gechem gained BFr12 to BFr938 although dealers said they were puzzled by the level of interest.

STOCKHOLM saw government warnings about further anti-inflationary measures add momentum to the downtrend. The market fears another one-off tax on corporation profits. The Affärsvärlden General index fell 13.5 to 1,122.4.

ASIA PACIFIC

# Recruit scandal continues to trouble wary investors

### Tokyo

THE POSSIBILITY of further political repercussions of the Recruit scandal kept investors cautious and share prices tumbled in dull trading, *writes Michiyo Nakamoto in Tokyo.*

Although the week opened on a firm note, inactivity coupled with the concern about Recruit developments quickly led shares downward. The Nikkei average slipped through the day to finish down 186.03 at 32,999.02. The day's high was 33,223.50 and the low 32,909.78. Declines led advances by 549 to 310 while 191 issues were unchanged.

Turnover fell to 732m shares from 1.44bn on Friday. The Topix index of all listed shares lost 15.55 to 2,458.80 and, in later London trading, the ISE/Nikkei 50 index fell 1.84 to 1,958.16.

Analysts said the Tokyo market had actually discounted aspects of the Recruit scandal but that investigations involving former Prime Minister Yasuhiro Nakasone or calls from members of the opposition parties for the resignation of Prime Minister Noboru Takeshita's Cabinet, are factors which the market has not yet taken into account. Interest will focus on Diet (parliamentary) proceedings today when Prime Minister Takeshita is expected to make a disclosure on the Y100m contribution he received from Recruit.

On the external front, important US figures to be released at the end of the week, such as the trade figures for February, are also said to be keeping investors wary.

News that Hitachi, Japan's largest comprehensive electrical machinery maker, will refrain from fund investment through *tokkin* specified money trusts also had a dampening influence on the market. It was reported over the weekend that Hitachi was led to withdraw from *tokkin* investments by the complicated accounting procedures required by changes in Japan's tax system that became effective on April 1.

The new Japanese tax law makes the accounting procedures extremely complicated for any company whose non-taxable sales exceed 5 per cent of total sales. Interest and dividend receipts and proceeds from securities transactions are counted as non-taxable sales and Hitachi was reported to have decided to eliminate *tokkin* investment to keep non-taxable sales to no more than 5 per cent of total sales.

The main concern was that Hitachi's move would lead other companies to eliminate their *tokkin* investments and this would upset the current favourable supply and demand balance. However, Mr Shin Tokoi of County NatWest said it was difficult to imagine Hitachi, with its advanced technology, withdrawing from *tokkin* investment just because of complicated accounting procedures. Some analysts felt Hitachi's move stemmed more from a particular situation arising from the closing of its books and that it would probably not affect other companies.

Interest in nuclear fusion-related issues remained firm in spite of generally depressed trading. Mitsubishi Metal, in the top slot of the most actives list with 29.1m shares, gained Y30 to Y1,350. Mitsubishi Metal is one of three Japanese companies that produces palladium and platinum, used in nuclear fusion.

Sumitomo Heavy Industries followed with 24.8m shares and increased Y10 to Y1,290, having reached Y1,310. Sumitomo Heavy has a licence to produce heavy water used in cold nuclear fusion.

Chemical issues were popular for their good business results. Daicel Chemical Industries was third most actively traded with 24.8m shares. It rose Y60 to Y1,180.

Koito Manufacturing, the parts maker affiliated with Toyota, saw the greatest loss in share price last week. Koito's shares suffered after it emerged that Mr T. Boone Pickens, the US corporate raider, became its largest shareholder.

Large Japanese shareholders have sometimes been forced to buy back shares acquired by unfriendly investors at inflated prices, but Koito investors were discouraged by the fact that Toyota announced it was not prepared to buy back Koito's shares from the Pickens group.

In Osaka, chemicals maintained their momentum amid overall weakness. The OSE average dropped 114.75 points to 31,764.74. Volume also more than halved to 51m shares against 111m traded on Friday.

### Roundup

OTHER Asia Pacific markets, with the exception of Singapore, drifted lower in quiet trading.

SINGAPORE was encouraged by Friday's strong close on Wall Street, ending slightly firmer in active trading. The Straits Times industrial index rose 5.31 points to 1,191.97.

Strong interest in Malaysian industrial and property stocks was again in evidence as advances led declines by 126 to 70, while turnover rose to 114m shares from 101m on Friday.

AUSTRALIA was nervous in the run-up to tomorrow's economic statement. On low volume of 123m shares worth A$134m, the All Ordinaries index edged up 0.4 points to 1,413.3.

BTR Nylex ended unchanged at A$3.42 having reached A$3.50 after heavy trading on its last day cum bonus and dividend. ICI gained 10 cents to A$5.70 and Hooker Corp 5 cents to A$1.60. News Corp slid 15 cents to A$11.50 and Lend Lease Corp 6 cents to A$9.14.

HONG KONG was dominated by rumours that Jardine Strategic Holdings and Hopewell Holdings were both planning to raise cash on the market.

The Hang Seng index closed 2.68 points down at 3,021.43 in dull trading. Turnover dropped from HK$878m on Friday to HK$753m, the second lightest trading day of the year.

Hopewell ended 10 cents lower at HK$3.25 and Jardine Strategic fell 10 cents to HK$12.80, while Jardine Matheson rose 10 cents to HK$20.40.

### SOUTH AFRICA

GOLD stocks weakened in low turnover with bullion continuing to hover around $380. Vaal Reefs fell R5 to R335 and Freegold lost R1.25 to R33.25.

In the bid arena, Gold Fields fell R5.40 to R94.50 while Minorco eased R1 to R51.

# Nervousness again haunts trading

**MARKETS IN PERSPECTIVE**

| | % change in sterling † | | | |
|---|---|---|---|---|
| | 1 Week | 4 Weeks | 1 Year | Start of '89 |
| Austria | +4.46 | +14.77 | +40.72 | +29.70 |
| Belgium | +1.87 | +2.05 | +14.19 | +4.62 |
| Denmark | +3.35 | +6.50 | +58.11 | +19.67 |
| Finland | +3.75 | +9.90 | +35.40 | +27.18 |
| France | +1.48 | +4.09 | +56.59 | +9.09 |
| West Germany | +2.37 | +2.82 | +19.78 | +3.23 |
| Ireland | +2.75 | +3.29 | +31.63 | +17.21 |
| Italy | -0.73 | +4.88 | +13.03 | +1.72 |
| Netherlands | +1.05 | +3.28 | +18.86 | +12.04 |
| Norway | -0.04 | +5.30 | +54.02 | +35.12 |
| Spain | +4.33 | +5.21 | +11.30 | +10.06 |
| Sweden | +0.84 | +3.99 | +45.23 | +18.02 |
| Switzerland | +2.34 | +1.16 | +3.30 | +4.06 |
| UK | -1.61 | -3.04 | +15.77 | +13.87 |
| EUROPE | +0.22 | +0.56 | +20.05 | +10.06 |
| Australia | -5.52 | -6.35 | +21.02 | -5.39 |
| Hong Kong | -0.08 | +1.24 | +36.40 | +21.50 |
| Japan | -0.18 | +2.82 | +21.06 | +5.50 |
| Malaysia | +0.15 | +5.94 | +44.07 | +21.55 |
| New Zealand | -1.03 | -3.09 | -1.29 | +7.62 |
| Singapore | -1.28 | +1.22 | +45.82 | +23.12 |
| Canada | -1.23 | -0.37 | +19.51 | +13.28 |
| USA | +0.23 | +1.53 | +21.93 | +13.94 |
| Mexico | -0.45 | +0.88 | +32.09 | +9.46 |
| South Africa | +0.14 | +1.99 | +19.87 | +27.79 |
| WORLD INDEX | -0.06 | +1.75 | +21.17 | +9.19 |

†Based on April 7th 1989

**By Alison Maitland**

THE WORLD'S stock markets reverted to a mood of nervous anticipation last week after a burst of strength the previous week which gave them their best performance of the year.

Last week's caution returned as investors awaited the release on Friday of the US jobs figures for March.

The World Index showed little change on the week in sterling terms, easing 0.1 per cent. Of the largest markets, only the US managed a small gain of 0.2 per cent. Japan shed 0.2 per cent in volatile trading after emerging at the top of the table with a 5.4 per cent advance the previous week.

The UK had the sorriest time among leading markets, falling 1.6 per cent as the financial year came to an end. Jitters about inflation and the possibility that interest rates might be pushed higher were compounded by a bearish forecast on the economy from brokers UBS Phillips & Drew.

Interest rates were also a preoccupation last week in Australia, which put in the worst performance of the 24 markets covered by the FT-Actuaries World Indices, falling 5.5 per cent.

Norway retains its top place, with a 35 per cent rise since the end of December, although it barely moved last week. But South Africa has been ousted from second place by the lively performance of the little Austrian bourse, which pursued its gains of the past few weeks with a rise of 4.5 per cent last week, making it the world's best performer.

Its ascent, aided by a surge of foreign interest and a shortage of stock, has reached 14.8 per cent for the past four weeks – far ahead of any other market – and 29.7 per cent since the start of the year.

Last week's second best performer was Spain, which gained 4.3 per cent in healthy turnover, reaching new year-highs as interest rate worries eased and optimism grew over the partial privatisation of state oil company Repsol.

## FT-ACTUARIES WORLD INDICES

**Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries**

| NATIONAL AND REGIONAL MARKETS | MONDAY APRIL 10 1989 | | | | | FRIDAY APRIL 7 1989 | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of stocks per grouping | US Dollar Index | Day's Change % | Pound Sterling Index | Local Currency Index | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Local Currency Index | 1988/89 High | 1988/89 Low | Year ago (approx) |
| Australia (89) | 128.51 | +0.2 | 112.24 | 105.90 | 5.25 | 128.28 | 112.04 | 105.88 | 157.12 | 128.28 | 120.72 |
| Austria (18) | 118.84 | +1.8 | 103.79 | 115.99 | 2.17 | 116.76 | 101.98 | 113.57 | 118.84 | 92.84 | 91.78 |
| Belgium (63) | 132.42 | -0.2 | 115.66 | 129.16 | 4.12 | 132.62 | 115.83 | 129.03 | 136.68 | 128.52 | 127.34 |
| Canada (127) | 133.83 | +0.3 | 116.89 | 115.32 | 3.31 | 133.44 | 116.55 | 115.28 | 137.27 | 124.67 | 124.35 |
| Denmark (38) | 172.89 | -1.7 | 151.00 | 171.89 | 1.89 | 175.93 | 153.65 | 174.25 | 180.38 | 165.35 | 122.73 |
| Finland (26) | 156.37 | +0.1 | 136.57 | 138.49 | 1.44 | 156.19 | 136.41 | 138.16 | 156.37 | 125.81 | 127.56 |
| France (130) | 118.11 | +0.3 | 103.16 | 117.56 | 2.94 | 117.76 | 102.85 | 116.97 | 119.98 | 112.57 | 84.38 |
| West Germany (100) | 85.71 | +0.6 | 74.86 | 83.75 | 2.29 | 85.20 | 74.41 | 83.03 | 90.40 | 81.77 | 78.63 |
| Hong Kong (49) | 127.53 | +0.0 | 111.38 | 127.48 | 4.07 | 127.47 | 111.33 | 127.66 | 133.77 | 111.80 | 104.39 |
| Ireland (17) | 144.30 | -0.4 | 126.03 | 143.29 | 3.56 | 144.94 | 126.59 | 143.52 | 147.10 | 125.00 | 122.16 |
| Italy (95) | 81.13 | -0.2 | 70.86 | 83.46 | 2.52 | 81.25 | 70.97 | 83.44 | 86.88 | 78.16 | 78.93 |
| Japan (455) | 188.12 | -0.8 | 164.30 | 157.67 | 0.48 | 189.60 | 165.59 | 158.68 | 200.11 | 180.30 | 172.38 |
| Malaysia (36) | 164.58 | +0.6 | 143.75 | 174.22 | 2.75 | 163.67 | 142.95 | 173.22 | 164.82 | 143.35 | 126.05 |
| Mexico (13) | 168.72 | +1.5 | 147.36 | 443.64 | 1.16 | 166.23 | 145.18 | 437.09 | 168.72 | 153.32 | 138.42 |
| Netherland (42) | 118.43 | +0.2 | 103.44 | 114.59 | 4.49 | 118.17 | 103.21 | 114.05 | 118.52 | 110.63 | 110.66 |
| New Zealand (24) | 67.15 | -1.6 | 58.64 | 58.66 | 6.71 | 68.26 | 59.62 | 59.42 | 76.02 | 67.15 | 76.90 |
| Norway (26) | 176.64 | +0.3 | 154.28 | 163.58 | 1.53 | 176.15 | 153.85 | 162.70 | 178.53 | 139.92 | 129.29 |
| Singapore (26) | 143.75 | -0.6 | 125.55 | 129.57 | 2.11 | 144.54 | 126.24 | 129.76 | 147.64 | 124.57 | 109.29 |
| South Africa (60) | 138.75 | -1.0 | 121.19 | 124.82 | 4.05 | 140.11 | 122.37 | 126.29 | 142.88 | 115.35 | 124.74 |
| Spain (42) | 154.03 | +0.5 | 134.53 | 136.12 | 3.55 | 153.25 | 133.85 | 135.14 | 154.03 | 143.14 | 152.48 |
| Sweden (35) | 157.51 | -1.6 | 137.57 | 149.18 | 2.30 | 160.14 | 139.87 | 151.49 | 162.00 | 138.45 | 122.55 |
| Switzerland (57) | 76.57 | +0.4 | 66.88 | 78.61 | 2.33 | 76.25 | 66.59 | 77.93 | 79.76 | 74.05 | 81.46 |
| United Kingdom (316) | 143.14 | -1.0 | 125.02 | 125.02 | 4.50 | 144.59 | 126.28 | 126.28 | 153.33 | 134.53 | 138.49 |
| USA (562) | 121.02 | +0.0 | 105.70 | 121.02 | 3.63 | 121.02 | 105.69 | 121.02 | 121.90 | 112.13 | 109.95 |
| Europe (1008) | 117.96 | -0.3 | 103.03 | 109.75 | 3.61 | 118.35 | 103.36 | 109.96 | 120.88 | 114.02 | 109.25 |
| Nordic (125) | 152.00 | -1.3 | 132.76 | 149.53 | 1.99 | 153.98 | 134.48 | 151.14 | 153.98 | 137.95 | 114.52 |
| Pacific Basin (679) | 183.13 | -0.7 | 159.95 | 154.08 | 0.70 | 184.50 | 161.14 | 155.02 | 194.72 | 176.37 | 167.62 |
| Euro-Pacific (1687) | 157.08 | -0.6 | 137.19 | 136.42 | 1.59 | 158.05 | 138.04 | 137.07 | 164.22 | 152.83 | 144.29 |
| North America (689) | 121.69 | +0.0 | 106.29 | 120.69 | 3.61 | 121.66 | 106.26 | 120.68 | 122.71 | 112.79 | 110.72 |
| Europe Ex. UK (692) | 102.18 | +0.2 | 89.24 | 100.34 | 2.89 | 101.96 | 89.05 | 99.88 | 103.11 | 98.84 | 91.11 |
| Pacific Ex. Japan (224) | 123.52 | +0.0 | 107.88 | 109.00 | 4.63 | 123.53 | 107.89 | 109.11 | 137.65 | 123.48 | 110.22 |
| World Ex. US (1887) | 156.09 | -0.6 | 136.33 | 135.73 | 1.66 | 157.01 | 137.13 | 136.36 | 162.77 | 152.04 | 143.40 |
| World Ex. UK (2133) | 142.42 | -0.3 | 124.39 | 131.32 | 2.05 | 142.92 | 124.82 | 131.66 | 146.04 | 138.06 | 129.70 |
| World Ex. So. Af. (2389) | 142.49 | -0.4 | 124.45 | 130.77 | 2.26 | 143.07 | 124.96 | 131.18 | 146.65 | 138.82 | 130.50 |
| World Ex. Japan (1994) | 120.59 | -0.1 | 105.33 | 116.68 | 3.66 | 120.73 | 105.44 | 116.78 | 122.37 | 114.51 | 110.36 |
| The World Index (2449) | 142.47 | -0.4 | 124.43 | 130.72 | 2.27 | 143.05 | 124.94 | 131.14 | 146.51 | 138.83 | 130.47 |

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Constituent changes: Emery Air Freight Corp. and West Point Pepperell (both US) have been deleted with effect 10/4/89.